



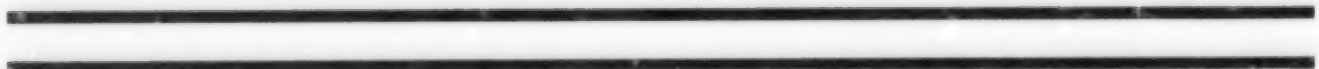
Foreign
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FBIS-USR-94-092

23 August 1994



CENTRAL EURASIA



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FBIS Report: Central Eurasia

FBIS-USR-94-092

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Plan for EU Project: Turku-St. Petersburg Links

94EN0452A Helsinki HUFVUDSTADSBLADET
in Swedish 29 Jul 94 p 5

[FINNISH NEWS BUREAU (FNB) article: "Abo-St. Petersburg Links of Increasing Importance for European Union"]

[Text] Finland stressed the importance of highway and rail links between Abo [Turku] and St. Petersburg to the European Union (EU) as a joint European traffic project. Finland also wants to improve ocean service from Finland to Central Europe.

Henning Christophersen, chairman of an EU working group, has asked countries applying for membership in the EU to draw up a list of the joint European traffic network projects that they regard as most important. According to the Industrial Affairs Ministry the most important projects for Finland are the Abo-Helsinki-St. Petersburg highway and rail links plus the improvement of ocean service to Central Europe. Other long-term projects mentioned are the development of Via Baltica and links between Arkhangelsk and Komi.

The list will be discussed by the government's EU ministerial committee on Thursday [4 August]. Due to Prime Minister Esko Aho's (Center Party) vacation, the committee will be headed by Foreign Trade Minister Pertti Salolainen (National Coalition [Conservative] Party).

In addition to road and rail connections the development of links between Abo, Helsinki, and St. Petersburg also involves the development of the Helsinki-Vanda airport.

The proposal suggests realizing Route E18 as a super-highway in the long run. The authorities want to improve railway tracks so they can handle speeds of 220 kilometers an hour.

It is very important for traffic on the Baltic Sea to create sufficiently frequent and rapid sea service between Finland and the European heartland. Improving winter traffic on the Baltic is also considered important. Finland would like to improve transport by sea and along rivers with the help of investments in sea channels, harbors, and terminals and by developing cargo handling systems and guaranteeing icebreaker services. The memorandum mentions a sea lane and harbor in Karleby plus a new cargo port in Helsinki as examples of possible projects in the near future.

Christophersen's working group will determine what is needed for basic investment in the EU's traffic and energy network. Finland is represented on the working group by division head Juhani Korpela of the Communications Ministry. Countries that belong to the EU can receive joint European assistance in financing traffic investments if the projects are regarded as important for the Union.

The EU ministerial committee has decided that former Archbishop Mikko Juva will represent Finland on the EU committee that deals with racism and xenophobia. The committee was established at the midsummer EU summit meeting on the island of Corfu.

**'Reform' Foundation Report Views CIS
Reintegration Problems**

944F1180A Moscow NEZAVISIMAYA GAZETA
in Russian 28 Jul 94 p 4

[Article by Ye. Chepkasova: "Integration With Political Independence. The CIS on the Way To Creating an Economic Union"]

[Text] The International Foundation of Economic and Social Reforms (Reform Foundation) recently presented its new report "The CIS: Problems of Reintegration" which included the participation of Academician Stanislav Shatalin, president of the foundation, Academician Stepan Sitaryan, first vice president and head of the authors' collective, and Academician Oleg Bogomolov, deputy of the State Duma and director of the International Economic and Political Research Institute of the Russian Academy of Sciences.

As declared by the speakers, at the present time there are two subregional formations realistically shaping up—the Baltic states and the states of Central Asia. Transcaucasia will apparently remain a zone of national conflicts for a long time to come, while the formation of a possible union of Belarus with Ukraine will be restrained by the instability of the political situation in Ukraine.

Those assembled underscored that the CIS, created at the end of 1991, which at present includes 12 former Union republics of the USSR, was called upon to ensure painless transition from a unified state to a system of national states. It is necessary to recognize that in the two-and-a-half years of existence of the CIS it has been impossible to resolve numerous critically important tasks in a coherent manner. Numerous joint declarations and agreements signed at the highest level essentially remained on paper. The continuing profound disintegration of the economies of the former republics, however, could further aggravate the economic crisis being experienced by all the CIS countries.

The authors of the report believe the way out of the situation that has been created lies through the creation of the Economic Union of CIS countries. It is possible to propose several models of such a union, leading to the occurrence of new forms of mutual relations between the states that formed in the place of the former USSR: first of all, the recreation of the Soviet Union, secondly the recreation of the Russian Empire (the inclusion of ever new independent states in the "state body" of Russia, with the rights of gubernias and autonomies), third, the creation of a confederative state or a confederation of states with supranational organs possessing clearly defined rights and functions, fourth, their amalgamation into a political and economic union of the same type as the European Union, and, fifth, a mixed model which would incorporate all these elements. In the opinion of Reform leaders, both the first and second models are hardly possible or desirable today. They have exhausted their historical potential and may be realized only on the basis of coercive action by Russia, which would have catastrophic consequences for it. In the view of Academicians Shatalin, Sitaryan, and Bogomolov the optimal organization of geopolitical space

of the former USSR could involve the creation of a confederation of states with supranational organs possessing clearly defined rights and functions, similar to the Eurasian Union proposed by Nursultan Nazarbayev, president of Kazakhstan. The creation of such a confederation, however, is unlikely not only in the immediate future but even in the longer term. The basic premise of such an interstate union is the transformation of ethnocentric state structures, currently forming on the territory of almost all former republics, into politically independent nation-states, where the concept of nation encompasses the entire population living on the given territory. The speakers assume that the achievement of such a goal, even with the consent of potential participants, should be regarded only within the context of a long-term strategy in establishing a number of intermediate tasks and their systematic resolution. The possibility of achieving a swift unification of independent republics of the former USSR into a political and economic union of the European Community type is doubtful for the same reasons. The experience gained with the European Free Trade Association, however, and with certain associations of developing countries, where economic interaction and coordination are less intensive, as well as the recently created NAFTA [North American Free Trade Agreement], in which the correlation of participants is in many ways reminiscent of the distribution of forces in the CIS, may turn out to be more useful, especially at the initial stages. Under current conditions we could apparently be talking not about the creation of a territorial-political union of CIS states but about integration, with the preservation of political independence of the CIS states through the creation of political, military-political, socio-cultural, and other conditions for the establishment of economic interaction and economic bonding, which, in the long run, will be called upon to form the basis for possible interstate integration. A path toward preservation of the political independence of members of the Economic Union would provide them the opportunity of making use of all the advantages created by transition to the formation of a free, economic, law-governed, and informed space without, at the same time, turning into net donors.

Considerable significance for the creation and functioning of the Economic Union of CIS countries is acquired by the formation of its institutional and legal basis.

The tendency toward integration is felt in many republics of the former USSR. The very signing of the agreement regarding the creation of the Economic Union, albeit in the form of a declaration of intent, is evidence of that. Integrative ideas are being supported by the ruling elite of CIS countries as offering the possibility of resolving the deep economic crisis, preventing a dangerous social explosion, and preserving their positions, the authors of the report note. Participation in the Economic Union increases the chances of each partner to make an effective entry into the world economy, in which, as indicated by international experience, an increasingly important role is being played by regional economic associations. It is possible that as the Economic Union in the CIS gains strength, its attractiveness to neighboring countries will also grow.

Russian Loans to Aid Georgia Viewed

944Q0057A Moscow KOMMERSANT-DAILY in Russian
13 Aug 94 p 2

[Article by Marat Salimov and Konstantin Smirnov: "For Russian Goods They Will Pay in Russian Money; Government Decides to Give Credit to Georgia"]

[Text] In accordance with the Russian Government decree which was officially issued yesterday, Georgia will be granted state credits in the amount of 20 billion rubles (R). This money is intended to pay off the indebtedness of Georgian consumers to Russian suppliers of industrial products and power resources. Guarantees of repayability of the credits will be provided at the expense of shares in Georgian enterprises. It is presumed that the agreement on granting the credit will be signed at the end of August.

The allocation of Russian state credit to Georgia, which followed almost immediately after the granting of funds to

Armenia (see KOMMERSANT-DAILY dated 5 July) is evidence of Moscow's desire to support the economy of the Transcaucasus. At the same time, Azerbaijan, in connection with the unresolved problem of repayment of its debts to Russia for 1992, will probably not be granted state credits before the end of the year. This testifies to the fact that the time of charitable gestures on the part of Russia has passed, and that at the present time bilateral relations are built on the foundation of mutual economic expediency. In accordance with the draft agreement between the government of Russia and the government of Georgia, "On State Credit for 1994," Georgia will be granted a R20 billion credit in 1994 to pay for deliveries of goods and services from Russia. It is presumed that these goods and services will be supplied to enterprises technologically associated with Russian enterprises. Moreover, part of the credit monies will go to pay for printing periodical publications and textbooks in the Russian language.

Georgia's Debts to Russia

Indebtedness for state credits	
Technical credits for 1992-1993, re-formulated to state debt	R39.5 billion
State credit for 1993	R10 billion
State credit for 1994	R20 billion
Total	R69.5 billion
Debts to the Russian TEK [heat and power complex]	
Petroleum products	R0.88 billion*
Coal	R0.6 billion*
Total	R1.48 billion
Georgia's overall indebtedness to Russia	R70.98

* Data for 1 July 1994

For Georgia the importance of the agreement outlined for signing is determined by the state of its economy. At the present time, the republic's national economy, and particularly its finance system, are in a state of collapse. Specifically, the official quote of the Georgian coupon to the ruble during the first half of 1994 dropped by five times, and comprised 488 coupons per ruble. Moreover, due to the shortage of power resources, a large part of the industrial facilities has been shut down, and there are interruptions in the operation of transport. The leadership of Georgia repeatedly appealed for aid to the Russian government, and as a result was able to achieve granting of the credit. At the same time, Georgia is trying to establish direct relations with Russian producers, who are also interested in retaining cooperative relations.

At the Tbilisi Conference on Investments to the CIS Countries, organized at the initiative of the republic's corps of directors, the head of the Russian Union of Industrialists and Entrepreneurs, Arkadiy Volskiy, promised that he would initiate an influx of Russian investments to Georgia. However, until the political situation in

Georgia is normalized, the investment of Russian funds into the Georgian economy appears problematic. The approach to solving problems of bilateral financial relations proposed by the Russian government may be considered the most realistic at the present time. Despite the fact that it may be characterized as purely pragmatic, it testifies to the fact that inter-state relations have ceased to be "fraternal," and have become economic. The agreement which has been prepared for signing provides that, for purposes of ensuring repayability of the Russian credit, Georgia places on deposit from 10 to 25 percent of the shares of stock owned by the state in three of the largest industrial enterprises, including the well-known wine-making plant "Samtrest."

If we consider that this is not the first inter-governmental agreement between Russia and the CIS countries which provides for the payment of credit in shares of industrial enterprises, we may speak of the possibility of Russia's acquisition (under the condition of a competent inter-state economic policy) of a significant portion of the industrial enterprises of the former USSR republics.

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ECONOMIC & SOCIAL AFFAIRS**Economic Reviewer Highlights Wage Issues**

944E1113 Moscow *RABOCHAYA TRIBUNA*
in Russian Aug 94 p 2

[Article by A. Bekker: "It Is a Good Idea But the Money Is Short"]

[Text] Only a week has passed between approval of the concept of an industrial policy by the government on 26 July and the interview given to INTERFAX by the president, in which Boris Yeltsin, in part, said that the Cabinet of Ministers "never did succeed in working out an effective structural policy." Even if the discussion of the consumer qualities of the product of the State Committee on Industrial Policy was planned, from the outside it appears to be an echo and a reaction to presidential criticism. The president declares formation of the "points of growth," and probably for the first time in a decade the concept proposes listing 36 processing methods—key to the modernization of Russian industry. Boris Yeltsin accents financial-industrial groups as the engines of industry and the State Committee on Industrial Policy provides a detailed prescription for their creation and activity. The head of state touches on problems of lowering taxes and perfecting legislation on foreign investments and all that is represented in the concept of industrial policy.

The work of the State Committee on Industrial Policy is being well executed. The agency did not get caught in the trap that got former elaborators of such programs: They included so much as industrial priority that 70-80 percent of the economy became "selective." The fresh wind of change can be felt in the concept: Modern forms of attracting foreign investments can be found here, including the creation of insurance agencies, and also the participation of the state together with private business in promising projects and competitions for budgetary investments in construction of the most important projects of the national economy. Such abundance of innovations was apparently what prompted Yakov Urinson, first deputy minister of economy, to make the following caustic remark: "The selection of measures incorporated in the program represents a compilation of all theoretically possible means of exerting influence—from total self-management to administrative intervention."

It is not quite correct, however, to reproach the authors for "excesses" in this case. There was no naked intent to show erudition. The abundance of proposals in the concept of the State Committee on Industrial Policy is a consequence of the fog shrouding the Russian economy. Neither this agency, the Ministry of Economy, nor any institute, including Western experts, can be certain to reveal all the developmental tendencies and prescribe what is needed for the economy in a precise and measured way.

Something else appears as a perceptible flaw in the industrial policy. In a sense it is suspended in the air like the Hanging Gardens of Babylon. The concept is not "anchored" to a financial base and therefore is not thoroughly figured out. It is unknown how much capital will be required "for everything," how much will be assumed by the state treasury, what the various investments of private

capital will be, or how they will be distributed in priority directions, so that structural reconstruction would still take place.

It is possible that uncertainty in the financial basis of the program is responsible for that, perhaps "the vestiges of socialism," but old motives sounded in a new manner in the concept as well. Igor Shurchkov said that a draft edict is being proposed for the president's signature which favors granting the right to financial-industrial groups to have planned unprofitable enterprises. The category of "planned unprofitable" enterprise has completely vanished from the socialist economy.

Diligently milking the budget, these enterprises "contaminated" both their branch colleagues and neighbors. This entire story had a bad ending for the country. In the context of time, planned unprofitable industrial-financial groups make no sense: What was the purpose of making all of that fuss about auctions, privatization, and shielding of enterprises from budgetary parasitism?

If one is to believe Igor Shurchkov, the right of industrial-financial groups to manage a portion of the property remaining with the state and a lowering of the value-added tax for these groups are being introduced in the presidential draft edict. Socialist enclaves are thereby being formed in the market economy. Life itself is rejecting industrial-financial groups: It is no accident that despite all the efforts of the State Committee on Industrial Policy and those of Mr. Soskovets, who supervised the matter for a year and a half, just three industrial-financial groups have been put together, whereas from 30 to 40 were planned.

It is apparent that under the current conditions the state will be unable to craft a very heavy industrial policy. The declaration by Victor Gerashchenko during the discussion of the program of the State Committee on Industrial Policy proved to be all the more sensational. According to the chairman of the Central Bank, Russian bank capital may become the source of its financing. Currently there are 30 trillion such rubles on account and they must be channeled first of all into the development of power engineering, transportation, and communications.

It is now understandable where that phrase about the available (?—A.B.) R30 trillion came from in the premier's speech "at the big Council of Ministers" which supposedly constitute the investment potential of the Russian economy. It is just unfortunate that the Central Bank chairman did not explain to Viktor Chernomyrdin that the money in the bank accounts is not "available" but belongs to their clients. It is also quite possible that its owners are far from burning with any desire, like Mr. Gerashchenko is, to invest capital in machine-building, which, instead of modernization of production is pushing restrictive import tariffs through the government.

What sense does it make to invest in a branch whose export potential is so modest: Out of 100 machine tools, only six are competitive on the world market?

Mr. Gerashchenko played into the hands of Oleg Soskovets as well, who is painstakingly searching for money to support the unprofitable processing sector of industry. A couple of months ago the first vice president spoke about

"the unsubstantiated nature of bank profits from speculative transactions involving currency and brokerage operations." In that connection the government considers it feasible "to use 50 percent of bank profits from such operations for crediting on preferential terms programs for the technical rearmament of industry and the agro-industrial complex." In his opinion a third of their own funds should be invested by the commercial banks for the same purposes. Thus Mr. Soskovets decided to get three rabbits at once—the banks themselves, sound enterprises, and the population with money in their accounts.

These "thoughts," voiced by a member of the government at the congress of the Association of Russian Banks, at that time appeared to those present, to put it mildly, as dilettantish in nature. Now it appears to be understandable: The government is not joking, it already has the concept of an industrial policy. All that is missing is the money.

Report on Investigation of Social Protection Fund

944Q0535A Moscow KOMMERSANT-DAILY in Russian
30 Jul 94 p 21

[Article by Leonid Berres: "Returned CPSU Money Squandered"]

[Text] Yesterday the lawyer Vladimir Sergeyev gave a KOMMERSANT-DAILY correspondent the results of his own investigation of the work of the Federal Fund for Social Support of the Population under the Ministry of Social Protection of Russia. By a decree of the Government of Russia all commercial structures into which CPSU funds were deposited before the putsch were to have transferred them to this fund. Some of them returned the money—a total of about R3 billion in 1993 and about R2 billion in 1994. But back in 1992 the fund's leaders concluded a number of strange agreements whereby the fund lost about R962.5 million. According to these agreements the fund granted to various commercial structures credit that was not returned and the fund did not try to make sure that they would be returned. In 1993 the fund leaders were replaced and the new leaders scheduled an investigation of the fund's work, which was conducted by Mr. Sergeyev.

The First Drain of Party Money into Commercial Structures

As we know, in October 1991 case No. 18/6220-91, pertaining to the financial and economic activity of the CPSU, was separated from the criminal case regarding the State Committee for the State of Emergency. The senior investigator for especially important cases of the investigation administration of the Procuracy General of Russia, Sergey Aristov, who kindly gave the KOMMERSANT-DAILY correspondent the results of his investigation, was appointed leader of the investigation brigade.

Mr. Aristov stated that as of 1 January 1991 the account of the Administration of Affairs of the CPSU Central Committee contained about R7 billion (about \$200 million at the exchange rate at the time). But by the autumn of 1991 the administration had managed to "scatter" its money among commercial structures as follows. About R2.5 billion was simply placed in deposits in commercial banks. In

particular, in Tokobank there were R200 million, Avtobank—R1 billion, Unikombank—R500 million, Youth Commercial Bank (which no longer exists) R150 million, Glavmosstroybank—R90 million, Chasstroybank—R30 million, and the Trade Union Bank—R0.5 billion. And, in Mr. Aristov's words, the interest on the deposits was about 5-7 percent—approximately half as much as was being paid at that time when state structures invested money in commercial banks (12 percent). Mr. Aristov sees this as the administration's "partiality" to these banks.

Additionally, according to data from the investigation, in the summer of 1991 on the territory of the USSR about 516 commercial enterprises were created, to which R756 million were transferred through the Administration of Affairs of the CPSU Central Committee. The money was turned over in the form of credit (although this was not what it was called in the contracts) for periods of about 10 years with the condition that the payment of interest not start until five years after the money was received. According to Mr. Aristov's information, the largest financial infusions were received by the following cooperative associations: the Galaktik firm organized by former KGB officers—R300 million, the Holding LTD firm, Dzhobrus, and the Moscow Municipal Exchange—R50 million each, and the Logos firm—R40 million. In addition to this the Central Committee Administration of Affairs was co-founder of the Trade Union Bank and Tokobank, with shares of R13 million and R20 million, respectively.

In Mr. Aristov's words, he completed his investigation of this first drain of party money into commercial structures back at the end of 1992 and turned the materials from the investigation over to the Government of Russia, to the tax inspectorate, and also to the aforementioned fund to which the party money was to have been returned. In Mr. Aristov's words, no reaction followed. Moreover, strange things began to happen in the fund.

The Fund Collects Party Money

The Fund for Social Support of Population under the Ministry of Social Protection of the Population was created in July 1992 by an edict of the president of Russia. Following this, on 20 August 1992, the Government of Russia published a directive to the effect that all structures that had received party funds were to transfer them to the fund's settlement accounts.

The corresponding structures began to implement this directive. And already by the autumn of 1993 the fund had received about R3 billion and \$600,000 from the banks. According to Mr. Aristov's information, the following structures returned the money: the USSR Gosbank, Unikombank, Finistbank, and Tokobank. The remaining party funds continued to be held by a number of state (R151.2 million) and commercial (about R1.4 billion) banks, and also commercial structures (R1.4 billion). The fund's current vice president, Ivan Yushko, told a KOMMERSANT-DAILY correspondent that the largest debtor to the fund up to this point is Avtobank. But the chairman of the board of Avtobank, Natalya Rayevskaya, told a KOMMERSANT-DAILY correspondent that the bank was prepared to return this money at any moment, but

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only after the question of the legal heirs of party funds was decided in the courts. Otherwise the Laws "On Property" and "On Banking Activity" would be violated.

The lawyer Vladimir Sergeyev explained to our KOMMERSANT-DAILY correspondent that the return of the money involved many legal problems. The fact is that in spite of the government decree, the fund is not the owner of the party money. During 1993 the fund twice filed suit against certain structures demanding transfer of the money. But the High Arbitration Court twice refused to accept the cases, considering the fund to be an improper plaintiff.

The Fund Distributes Party Money

Possibly it is not such a bad thing that the fund did not receive all the party money—it has been too unsuccessful in handling it. The lawyer Sergeyev told the KOMMERSANT-DAILY correspondent that in the summer of 1993 by a directive of the Ministry of Social Protection all the fund's leaders were replaced. And the new leaders immediately scheduled an expert appraisal of the state of affairs in the fund, which was assigned to two lawyers of the 84th legal consultation department of the Interrepublic Board of Advocates, Vladimir Sergeyev and Viktor Papenov.

Mr. Sergeyev told a KOMMERSANT-DAILY correspondent that through the investigation the lawyers discovered 13 strange contracts concluded by the fund during July-September 1992 (see the list on this page), as a result of whose "implementation" the fund lost R962.5 million. Under all these agreements the fund granted various commercial structures credit for hundreds of millions of rubles (that is, millions of dollars with the exchange rate at the time of about 130 rubles per dollar). A large part of this credit was not repaid, but for some reason the fund did not try to get it back. In the case of the ULISS firm the fund did not even try to obtain insurance funds for failure to return the money, although the credit was insured by the Rossiya Insurance Company.

Ivan Yushko told a KOMMERSANT-DAILY correspondent that now the fund has created a legal service which will make sure the money is returned from the commercial structures—possibly through the arbitration court.

The Fund Tries To Obtain More Party Money

Mr. Yushko stated that he was more concerned about the fate of the remaining party R3-4 billion which the commercial structures have not returned to the fund yet. In Mr. Yushko's words, the fund "through negotiations" is trying to get the commercial structures to return this money and as of today it has managed to "elicit" about R2 billion from the commercial structures.

Procuracy experts noted in this regard that because of inflation the party billions are increasingly being devalued, and therefore the procuracy insisted on their being returned as quickly as possible. Mr. Aristov told a KOMMERSANT-DAILY correspondent that as early as 1992 he had submitted to the fund detailed information about where the party money had gone and suggested that the fund work on having it returned. But, in his words, the fund did not react at all.

The lawyer Vladimir Sergeyev told the KOMMERSANT-DAILY correspondent that the blame for the failure to return the money lies not so much with the fund as with the Government of Russia. The fact is that back in February 1992 by a government decree the Ministry of Economy and Finance in conjunction with the State Committee for Administration of State Property and the Ministry of Justice were instructed to develop a procedure for confiscating party funds placed in insurance and joint-stock companies and joint ventures, and also a procedure for administering this property. But, in Mr. Aristov's words, for some reason this mechanism has not yet been developed. As a result, certain debtors, for example, Avtobank, have every legal right not to return the funds.

Foreigners in Search of Party Money

This is the darkest part of the story. As we know, in December 1991 an agreement was signed between the government of Yegor Gaydar and the world-renowned firm Croll Associates, which specializes in searching for money of dictators. It had to do exclusively with searching for party funds located outside the former USSR. This document was secret and its contents have not yet been divulged. Sergey Aristov told a KOMMERSANT-DAILY correspondent that on the whole Croll was assigned the task of "finding they know not what and they know not where."

Sergey Aristov denied rumors about \$20 million being paid to the firm for searching for the party money. According to his information, this sum was "less by an order of magnitude." Moreover, after a half year the Government of Russia dissolved the agreement with Croll Associates, considering that investments in the detective firm were not producing the proper return. Mr. Aristov thinks that this was a mistake since he had information about party accounts in foreign banks but only a structure like Croll, operating in the West, could help to "unravel" this information. In Sergey Aristov's opinion, the work should have been conducted jointly. In conclusion, Mr. Aristov told the KOMMERSANT-DAILY correspondent that the case of the CPSU economic activity has not yet been fully investigated. But he categorically refused to discuss the course of this investigation.

KOMMERSANT-DAILY correspondent experts note that now the last debtors in principle might very well return the party money, which in 1991 amounted to tens of millions of dollars and now has been turned into tens of thousands. The more so since during these years the debtors, obviously, were working successfully with this money. Incidentally, it is easy to understand the unwillingness of the banks to return the money to the Federal Fund for Social Support of the Population, which handles it in such a strange manner.

[Box, page 21] *The largest transactions of 1992, as a result of which the Fund for Social Support of the Population under the Ministry of Social Protection of Russia lost party money transferred to it*

On 10 August the fund granted R600 million in credit to the ULISS firm, supposedly for conducting transactions involving granulated sugar. But ULISS returned only R225 million. The fund did not take advantage of the insurance

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credit of the Rossiya Company, and it transferred its rights concerning the debt to the BINITEK Joint-Stock Company.

On 10 July the fund granted credit in the amount of R400 million to the Fund for Social Support of the Republic of Altay under a guarantee from the republic government for buying and selling young Siberian stag antlers. The Altay fund was to have paid the debt to the Russian fund plus 60 percent of the proceeds from the sale of the antlers. But it paid only R175 million.

On 15 July the fund granted credit in the amount of R100 million to the Danko firm for buying a building for the fund in Marino. The building was acquired for R57 million but it was never officially turned over to the fund. The money was not returned.

On 3 July the fund granted credit in the amount of R100 million to the Soyuzinter firm (Kislovodsk) for the construction of cottages in the Dolina Ocharovaniya. The debt was not repaid.

On 23 July the fund granted credit in the amount of R200 million to the Ros firm to buy consumer goods under the condition that 60 percent of the profit from the sale of the goods be transferred to the fund. Ros did not return anything at all.

On 1 September the fund granted credit in the amount of R150 million to the PIK firm for three years for financing construction of the fur combine Zolotoye Runo in Kovrov. But the construction was halted and the money was not returned.

On 14 August the fund granted R50 million of credit to the AIK Firm (Novorossiysk) for financing production of sewn items. The credit was not repaid. [end box]

Newspaper VEK Editor on Publishing Policies

944F1201A Moscow OBSHCAYA GAZETA in Russian
No 31, 5 Aug 94 p 12

[Interview with Aleksandr Kolodnyy, author and new editor in chief of VEK, by Anna Politkovskaya, OBSHCAYA GAZETA correspondent; place and date not given: "VEK Has a New Editor in Chief"]

[Text] Aleksandr Kolodnyy, the new editor in chief of VEK, is a 56-year-old native Muscovite, a sports journalist (by education, a mechanical engineer) who previously worked on the MOSKOVSKIY KOMSOMOLETS newspaper and the SOVETSKIY SOYUZ journal, and the author of several books.

The replacement of the editor in chief occurred, as a matter of fact, two years after VEK appeared on the national mass media market as a "business circle newspaper" established and financed by the League of Cooperatives and Entrepreneurs of Russia (the former Union of United Cooperatives of the USSR) and AvtoVAZ. However, VEK is better known as "Kivelidi's newspaper." Ivan Kharlampiyevich Kivelidi—"a new Russian"—is a rather well-known personality in certain circles of quite wealthy persons and a very well-to-do citizen. After starting "individual work activity" in one little cooperative together

with the well-known Artem Tarasov and under his supervision, in time Ivan Kharlampiyevich grew into an independent and rather successful businessman. He created the foreign economic association Interagro, which, among other things, was engaged in filling state orders also. It was Kivelidi who was the ideologue and main organizer of the VEK newspaper, investing a huge amount of his own energy and resources in this project.

Well, it is already more than a year that Kivelidi has been seriously involved in politics. He took part in the constitutional conference, undertook efforts to establish his own party, participated in the last preelection campaign (unsuccessfully), and is the chairman of the Council for Entrepreneurship under the Government of the Russian Federation. For two years, the VEK that he gave birth to was headed by Vladimir Sokolov. With the change in founders (in July its list was expanded with state organizations), the name of Kivelidi disappeared from the publisher's imprint, and the editor in chief was changed. Here are several of our questions to Aleksandr Kolodnyy.

[Politkovskaya] What do you think of the fact that all of this time VEK has been called nothing other than "Kivelidi's newspaper"?

[Kolodnyy] We have always thought that the term "Kivelidi's newspaper" has a somewhat superficial character. He never interfered in the production and content of the newspaper, just as neither did any one of our founders. If something like this was starting to come up, Ivan Kharlampiyevich did this with a great deal of restraint. Incidentally, if you look at the newspaper file, you will see that Kivelidi appeared in the pages extremely rarely, but he, it turned out, not only thinks well, but he also writes well.

[Politkovskaya] How advantageous is it to have a state institution as a founder—an organization that would seem to be useless in financial dealings?

[Kolodnyy] Our founder's staff was replaced three weeks ago. The Russian Federation Ministry of Atomic Energy is actually among them now, which was something of a surprise for many. The Ministry of Atomic Energy is not simply a state institution with officials, but an important commercial structure. The ministry is engaged in various business operations. In particular, it includes the Karimos concern, which works on the problem of supplying the country with baby food. By the way, very many wanted to be our founders, and we selected them ourselves.

[Politkovskaya] To what extent will VEK remain a newspaper for business circles?

[Kolodnyy] We interpret these words broadly; therefore, we saw to it that both representatives of private capital and of state structures were among the founders. Today, the director corps consists more and more of those who want to, are able to, and who work well in business. In our opinion, an outstanding teacher, a movie producer, and an engineer also should possess the categories of a business person. What we correctly feel about just who is a "business person" is indicated by who our readers are. There is a very wide range here: from elderly people to important

business structures. We often learn with amazement that we are known by the most diverse elements of the population.

For all practical purposes, the newspaper consists of two parts. The first is informational and business, and the second—humanitarian. We write about history, education, science, culture, striving for a certain perception of material. For example, when we say that the young Todorovskiy started to shoot a film that is being sponsored by the large AM-Holding structure, we are first of all interested in why this structure undertakes such huge expenditures, and to what purpose.

VEK would like to promote the formation in Russia of a stable middle class, which could bring stability and tranquility to society. From the first issue, the newspaper has been holding a discussion with the reader exclusively in calm and weighed terms, striving for complete objectivity. Even when not agreeing with something, we do not do this in a shrill and loud way. Incidentally, our founders have plans to establish a daily newspaper on our basis with the very same orientation.

[Politkovskaya] Who is your competitor on the Russian newspaper market?

[Kolodnyy] I think that there is none today. We have found our niche. Some compare us with KOMMERSANT, but this is far from the case. We have a completely different style. We are more inclined to analysis.

Dynamics of Wholesale Prices for Industrial Production in Second Quarter 94

944E1106A Moscow DELOVOY MIR in Russian
29 Jul 94 p 5

[Article: "On the Dynamics and Ratios of Average Wholesale Prices of Key Industrial Products on the Domestic Market of the Russian Federation and on World Markets During the Second Quarter of 1994"]

[Text] The Center for Economic Conditions under the Government of the Russian Federation, in accordance with the beginning of work on the performance of variant calculations of the analysis concerning the effect of the price level in basic sectors of industry on the general inflation level and the price structure in the national economy, presents analytic material on the dynamics and ratios of average wholesale prices of key industrial products on the domestic market of the Russian Federation and on world markets (on the basis of the operational data of bodies of state statistics, the materials of the All-Russian Scientific Research Institute for Market Conditions of the Ministry of Foreign Economic Relations, and the methodology and calculations of the Center for Economic Conditions).

The transition to an open market economy dictates the need to bring the ratios of domestic market prices of products for production and technical purposes and consumer goods to the proportions formed in world practice in the last few years.

According to the data for April-June:

- under conditions of the slowdown in inflationary processes the structure of domestic prices of individual observed types of material and technical resources lowered the rates of its transformation;
- the rise in average prices of material resources on the domestic market occurred at higher rates as compared with their dynamics on world markets;
- as before, rising transport rates had a significant effect on structural changes in the levels of domestic prices of individual products;
- a constant increase in the purchasing power of the ruble in relation to the U.S. dollar was observed on the domestic consumer market.

1. The formation of prices of purchased material and technical resources on Russia's domestic market, in contrast to world markets, occurs under conditions of the limited possibilities of the "buyers' market" and the lack of producers' competition. As during the first months of the current year, changes in price ratios in the structure of domestic and world prices as applied to the price of the standard commodity* continued during the second quarter. On Russia's domestic market regarding the price of 1 tonne of oil a gradual increase in prices was noted in 18 out of the 23 observed types of material and technical resources. Prices of coal, furnace mazut, and electric power continued to rise. Nickel became much more expensive. Whereas at the beginning of the year the average price of 1 tonne of nickel was 47-fold higher than the price of the standard commodity, at the end of the first quarter, almost 70-fold and in June, already 85-fold. As before, a relative decline in domestic prices of butter and sugar is registered.

A reverse tendency is observed in ratios of world market prices to the price of the standard commodity. During the period of April-June the rise in prices of oil outstripped their rise in all observed products, which led to a relative decrease in their prices. For example, whereas in March the price of 1 tonne of aluminum was 14-fold higher than the price of 1 tonne of oil, in June the price of aluminum increased only 13-fold, of 1 tonne of nickel, 62-fold and 55-fold, of cotton fiber, 20-fold and 16-fold, and of natural wool, 43-fold and 36-fold respectively.

2. As before, the dynamics in the change of average prices of the same observed types of material resources is different. For most of them the tendency in the convergence of domestic and world prices has remained. During the second quarter of the current year, as compared with the beginning of the year, this group of goods additionally included graded structural steel, furnace mazut, and natural wool. The tendency in the remoteness of some observed types of resources from levels of world prices has also remained. It should be noted that during the first 6 months of the current year the gap in prices of oil on domestic and world markets has increased constantly. Whereas at the beginning of the year the price of 1 tonne of oil comprised 40 percent of the world level, in June this magnitude decreased slightly—to 34 percent.

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For individual industrial products the levels of prices formed on the Russian domestic market have virtually overstepped the price ceiling on world markets. For example, 1 tonne of butadiene on Russia's domestic market in June cost 851,300 rubles (or 428,000 dollars) and on world markets, 550,200 dollars (or 696,500 rubles); of butter on Russia's domestic market, 3,338,500 rubles (or 1,678,500 dollars) and on world markets, 1,552,500 dollars (or 3,087,900 rubles).

3. The slowdown in inflation rates during the second quarter of the current year affected the relative reduction in activity in the change in the structure of prices of industrial products on the Russian market. However, with this slowdown the dynamics of prices was more mobile than their rise for similar products offered on world markets, where the change in prices during the entire period from the beginning of the year was subject to lesser dynamics. Whereas during the first quarter of the current year world prices of many observed goods maintained their level, in some cases even their reduction being noted, and during the second quarter, with a sufficient stability of prices of basic listed products, there was a rise in prices of oil (28.3 percent), motor gasoline (20.6 percent), and nonferrous metals, that is, aluminum, 13.8 percent and nickel, 14.6 percent, on the domestic market average prices of observed goods rose from 12 percent for butter to an almost triple increase for rectified methanol.

On the whole, however, during the first half of 1994 a marked increase in world prices of oil (22.7 percent) and oil products (motor gasoline, 27.2 percent and furnace mazut, 23.5 percent) was recorded. There was also a rise in prices of nonferrous metal (aluminum, 20.1 percent and nickel, 12.1 percent), granulated sugar (24.2 percent), and cotton fiber (16.1 percent).

4. As before, expenditures on the transport of products from their producer to the consumer enterprise had a big effect on the level of prices of final consumption on the domestic market. The share of these expenditures in the price is differentiated depending on the types of transport facilities used, the type of the transported product, and the transport distance. By the end of the first half of the current year (according to the report of respondent enterprises) transport expenditures in the price of purchased material and technical resources rose

from 4.3 percent in January to 8.6 percent in March and to 16.9 percent in June. At the same time, in some types of products the proportion of transport expenditures was differentiated significantly. In January-June it was the highest for products of raw material sectors of industry and products of the oil refining and chemical industry. Expenditures of enterprises on the delivery of individual types of material and technical resources for light and food industry enterprises were negligible. The introduction in June of the current year of the indexing of rates of freight transport and of charges for loading and unloading operations has led not only to a further increase in the share of transport expenditures in the price, but also has aggravated the process of restructuring in price formation. In June transport expenditures in the price of purchased sulfur comprised 58 percent (in March, 52 percent), of power generating coal, 51 percent (40 percent), of coal for coking, 36 percent (22 percent), of rectified methanol, 32 percent (28 percent), and of furnace mazut, 29 percent (21 percent) respectively.

5. Both in the production and in the consumer sector of the economy during April-June 1994 certain tendencies in the change in the structure of domestic and world prices have remained. For a comparison of the dynamics of prices of basic foodstuffs on the domestic market prices per kg of beef were taken as the comparison base. Out of 19 key food products, which form the basis for the population's weekly purchases, the convergence of price ratios at the end of June was noted for such foodstuffs as, for example, bread, milk, and dairy products, the prices of which in Russia were subsidized by the state for a long time and after January 1992 were regulated first at the federal level and then this practice also remained at the regional level. However, a relative increase in the gap in prices was noted in meat, vegetable oil, granulated sugar, and cheese.

When the cost of the basket of 19 key food products calculated at Russia's domestic prices and U.S. prices is compared, a constant convergence of the costs of this basket is observed. Whereas in December 1992 the cost of the basket in Russia comprised only 11 percent of its cost in U.S. prices and at the end of 1993, 26 percent, by the middle of the current year this gap has decreased even more, comprising 30 percent. This points to an actual increase in the purchasing power of the ruble in relation to the U.S. dollar on Russia's food market.

Ratio of Average Prices of Purchase of Individual Industrial Products and Oil in 1994 (1 tonne=1.00)

List of Products	Russia				World Prices			
	March	April	May	June	March	April	May	June
Oil	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Electric power, thous. kw/hr	0.41	0.42	0.51	0.53	0.81	0.70	0.67	0.63
Power generating coal	0.27	0.37	0.34	0.37	0.27	0.23	0.22	0.21
Coal for coking	0.78	0.80	1.04	0.98	0.50	0.43	0.41	0.39
Motor gasoline	3.47	3.81	3.57	3.74	1.47	1.49	1.45	1.38
Diesel fuel	3.08	2.94	2.82	2.95	1.34	1.31	1.18	1.15
Furnace mazut	0.89	1.03	1.11	1.10	0.70	0.70	0.67	0.62

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Ratio of Average Prices of Purchase of Individual Industrial Products and Oil in 1994 (1 tonne=1.00) (Continued)

List of Products	Russia				World Prices			
	March	April	May	June	March	April	May	June
Graded structural steel	4.06	4.87	4.84	5.39	3.33	2.91	2.77	2.60
Primary aluminum, including silumin	19.03	20.14	21.59	20.23	14.30	12.32	12.32	12.68
Nickel	69.97	71.22	102.52	84.83	61.90	50.83	58.95	55.27
Gold, gram	0.24	0.25	0.25	0.25	0.12	0.10	0.10	0.09
Platinum, gram	0.25	0.26	0.26	0.26	0.12	0.10	0.10	0.10
Sulfur	0.29	0.28	0.36	0.36	0.36	0.34	0.32	0.30
Butadiene	6.82	6.43	6.89	9.23	3.30	2.9	2.77	2.59
Propylene	3.71	4.19	4.18	3.91	3.05	2.67	2.54	2.38
Rectified methanol	2.95	2.92	4.41	4.46	2.05	1.79	1.71	1.60
Ethylene	3.80	4.06	4.12	3.71	4.69	4.10	3.91	3.66
Sawn timber, cub. m.	0.96	0.98	1.22	0.97	1.37	1.22	1.16	1.12
Cotton fiber	43.73	13.28	17.39	16.89	19.51	17.77	17.35	15.69
Natural wool	20.99	15.44	21.77	26.23	42.74	37.97	39.14	36.41
Butter	42.21	41.35	39.5	36.21	14.75	12.88	12.28	11.50
Vegetable oil	11.73	12.67	12.13	12.23	6.80	5.66	5.39	5.05
Granulated sugar	7.10	7.22	7.11	6.77	3.73	3.18	3.27	3.07

Individual Industrial Products, the Domestic Prices of Which Exceeded Prices on World Markets in 1994

List of Products	Average Wholesale Prices (in thous. rubles per tonne)					Ratio of Domestic Prices and Prices on World Markets, -fold			
	World Markets (June)	Russia							
		March	April	May	June	March	April	May	June
Silver, grams	0.3	0.3	0.3	0.3	0.3	0.90		1.03	0.93
Butadiene	696.5	555.0	553.9	595.5	851.3	0.91	0. 86	0.89	1.22
Butter	3087.9	3435.7	3564.6	3412.2	3338.5	1.28	1.25	1.15	1.08

Individual Industrial Products, in Which the Tendency Toward Convergence of Domestic and World Prices in 1994 Is Noted

List of Products	Average Wholesale Prices (in thous. rubles per (tonne))					Ratio of Domestic Prices and Prices on World Markets, -fold			
	World Markets (June)	Russia							
		March	April	May	June	March	April	May	June
Electric power, thous. kw/hr	169.1	33.1	36.2	43.7	48.9	0.22	0.23	0.27	0.29
Power generating coal	55.6	21.6	32.3	29.4	33.7	0.44	0.63	0.55	0.61
Coke for coking	104.1	63.5	68.7	90.1	90.5	0.69	0.72	0.90	0.87
Furnace mazut	167.0	72.2	88.4	96.0	101.1	0.56	0.57	0.59	0.61
Graded structural steel	697.6	330.5	419.7	418.5	496.6	0.54	0.65	0.62	0.71
Nickel	14845.0	5695.9	6139.4	8856.0	7821.2	0.50	0.55	0.62	0.53
Gold, grams	24.7	19.5	21.6	21.8	23.3	0.90	0.98	0.92	0.94
Silver, grams	0.3	0.3	0.3	0.3	0.3	0.90	1.03	0.93	1.01
Platinum, grams	25.6	20.2	22.4	22.9	24.3	0.90	0.98	0.93	0.95
Sulfur	81.6	23.8	24.5	31.2	33.5	0.34	0.33	0.40	0.41
Propylene	639.3	301.7	360.9	360.9	360.9	0.54	0.61	0.59	0.56

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Individual Industrial Products, in Which the Tendency Toward Convergence of Domestic and World Prices in 1994 Is Noted (Continued)

List of Products	Average Wholesale Prices (in thous. rubles per tonne)					Ratio of Domestic Prices and Prices on World Markets, -fold			
	World Markets (June)	Russia							
		March	April	May	June	March	April	May	June
Rectified methanol	430.0	242.6	251.4	380.8	411.3	0.64	0.63	0.92	0.96
Cotton fiber	4213.1	1199.0	1144.4	1502.5	1556.9	0.33	0.29	0.36	0.37
Natural wool	9778.4	1708.7	1331.2	1880.8	2418.5	0.22	0.16	0.20	0.25
Butter	3087.9	3435.7	3564.6	3412.2	3338.5	1.26	1.25	1.15	1.08
Vegetable oil	1356.4	955.0	1091.9	1048.1	1127.7	0.76	0.87	0.80	0.83

Ratio of Average Cost of the Basket of 19 Key Food Products in Russia's and U.S. Prices (recalculated into rubles at the current rate of the Central Bank of Russia) (in percent)

December 92	11%
December 93	26%
June 94	30%

Footnotes

*In the presented material the wholesale price of 1 tonne of oil on domestic and world markets is taken as the price of the standard commodity.

Duma Deputy on Contest Over Level of Pension Indexation Rate

944E1128A Moscow IZVESTIYA in Russian
9 Aug 94 p 2

[Article by Boris Fedorov, deputy of the State Duma: "The Government Is Being Tested for Strength"]

[Text] The mass media have hardly analyzed the profound significance of the recent discussion on indexing minimum pensions: The question is whether the indexation rate should have a factor of 1.15 or 1.5. The struggle over this topic will be repeated more than once.

The State Duma unanimously voted for an indexation rate at the 1.5 level in the best traditions of the Supreme Soviet: People must be helped. The timid and naive questions asked by O. Dmitriyeva from the Budget Committee as to just where the money would come from were of no interest to anyone. Just think, a budget was recently adopted that did not contain this provision. The main thing is that we are for the people; we are the good guys. One can understand the deputies, who must seek support from the voters.

V. Chernomyrdin made the choice of not proceeding against a popular measure and letting things take their natural course. Despite all the warnings, that is what was done in 1993—with well-known results for the budget; and the latter finally fell apart. Now the prime minister has shown firmness, and a presidential edict has been issued providing for an indexation rate of 1.15—a level that the budget will be able to handle somehow. We must give the head of our government (but not most of the

government) his due for his adherence to principles and for his steadfastness in not allowing an additional issuance of R5-6 trillion.

However, the problem is much more extensive, and we must examine various aspects of it.

In the first place, we cannot fail to see that the size of the minimum pension in 1994 has begun to lag even behind the declining inflation rate; i.e., it is declining in real terms. However, any waffling on this score would be more than dangerous and socially unjustifiable. Moreover, Russia's finances are not to be corrected by means of this source. For example, against the background of the real growth in the extremely ineffective subsidization of agriculture, such a policy is neither optimally efficient nor well-founded. It is always better to assist specific persons rather than bankrupts.

In the second place, we cannot fail to see the continuing disintegration of the budget. Most of the measures promised by the government during the February-March period with regard to balancing the state finances have not been carried out. As to revenues and expenditures, the budget is being implemented by approximately 70 percent. It is easy to calculate that the "shortfalls" in payments from the budget could amount—if such a trend is followed—to somewhere between R40 trillion and R60 trillion; and, amid such a state of affairs, last year's "debts" would seem like child's play. Incidentally, there has been a great deal of talk about reimbursing these "debts," but only an insignificant amount has been "repaid."

Furthermore, there is an ongoing practice of exerting constant pressure on the Ministry of Finance to carry out decisions that are not in the budget, to change the structure of "payments," and to make payments for which there is no money. Just count up how many times this year the leading officials of the Ministry of Finance have been subjected to official reprimands merely for—essentially—adhering to the law on the budget.

Instead of honestly recognizing the situation and adopting extraordinary measures to balance the budget—including the curtailment of outlays for low-priority items—the higher authorities have issued instructions ("urgently seek," "adopt measures for full financing") and reprimand officials who simply have no money.

In the third place, we are alarmed by the constantly growing confusion over the powers of the various branches of government. Just who should index the size of the minimum pension—the Duma, the government, or the president? We become a laughingstock for the whole world when we continued to adopt decisions that directly contradict each other—decisions that make a patently weaker parliament a puppet without any real powers. If that is the case, then why spend such enormous sums of money on these feeble members of parliament?

The government's attempts to hold its ground and not allow an explosion of inflation are certainly laudable, although there is a warning chorus of official voices predicting just the opposite. However, even this is not enough. Economic reforms and a normal economic policy cannot be replaced by a primitive, bookkeeping type of approach, based simply on two arithmetic operations.

The government continues to be tested for strength. It would be advisable for us to make the transition from stubbornly sitting in flooded trenches under fire to participating more actively within the framework of understood tactics and strategy. Unless we do this, we are doomed to a worsening state of affairs.

Voronezh Oblast Duma Deputy on Region's Economic 'Crisis'

944E1125A Moscow PRAVDA in Russian 10 Aug 94 p 2

[Interview with S.I. Rudakov, chairman of the Commission on Public Organizations of the Voronezh Oblast Duma, secretary of the KP RF Oblast Committee, and lecturer in the Philosophy Department of Voronezh University, by Tatyana Morozova: "Regional Nuances"]

[Text] The Voronezh Oblast Duma has been in existence for a little over three months. It is a short time, and it is difficult to speak even about initial results. But it is easy to mention the problems that the deputies have already had to face. This was the subject of our conversation with S.I. Rudakov, chairman of the Commission on Public Organizations of the Voronezh Oblast Duma, secretary of the Oblast Committee of the KP RF [Communist Party of the Russian Federation] and lecturer in the Philosophy Department of Voronezh University.

[Rudakov] The crisis that has struck the principal sectors of Russia's economy has not bypassed our oblast. This is manifested most noticeably in the decline of the living standard for most of the people, the increase in prices, the bankruptcies of enterprises, the nonpayments, and the destruction of production and scientific potential. The oblast's volume of industrial production has fallen by 40 to 50 percent. People are being sent on enforced leaves. Roughly 400 of the oblast's enterprises are not in a position to pay their taxes.

[Morozova] Sergey Ivanovich, it is clear that the economic crisis has led unavoidably to a social crisis. Everyone, save perhaps a lazy person, talks about the decline in the simple working man's standard of living today. All the same, how does the duma propose to resolve the social problems?

[Rudakov] The social sphere really appears to be falling into decay. This is shown by the letters coming to the duma. One of the duma sessions was devoted to consideration of the problems associated with insurance medicine. Cases of unsupervised use of assets from the monetary fund were brought to light. We adopted a decision to transfer the city pharmacies from municipal to state ownership. This will make it possible for the pharmacies to obtain medicines directly from the pharmaceutical plants and even reduce the price for them somehow.

The matter of consumer cooperatives was also considered. We have supported them with tax exemptions, otherwise, the last selmags [rural cooperative stores] with their simple assortment will be shut down.

Not long ago, managers of the "Zdorovye" Association and the Sanatorium imeni Tsyurupa asked us to help them obtain funds to complete construction of a gas pipeline.

An interesting situation has developed with the kindergartens. The departmental ones are being maintained by enterprises, but the municipal ones are being shut down. Why, you ask? After all, they are better equipped, and the premises were built especially for them with all the conveniences. It turns out that this is the point. Many parents are not in a position to keep their children in kindergarten and are forced to leave them in the care of grandmothers or acquaintances, and sometimes simply in the streets. As a result, the illusion is created that there is no demand for the municipal kindergartens. The premises being vacated here are being privatized by commercial enterprises.

[Morozova] All the representative authorities will be linked to the municipal authority. What opportunities do local organs of administration have to control the property?

[Rudakov] The adoption of a system of authority in the oblast has been one of the principal questions for the duma. You have chosen a parliamentary model: a legislative organ, and it elects the head of the executive authority from the candidates nominated by the rayons and public organizations. This is the model that is closest to the system of soviets.

[Morozova] The soviets had a start-to-finish vertical line of control: from rural to rayon, city, and oblast level. How is the oblast duma linked to local organs of self-government now?

[Rudkov] We, the oblast duma, do not have the opportunity to restore this vertical line. However, we have held a conference with all the representatives of local self-government organs. We proposed a concept for a Voronezh Oblast law on local self-government. Everything that was good in the system of soviets must be revitalized, of course. This includes the interaction of the executive and representative authority and representation of the working people themselves in the self-government organs. The task of the duma is to stop arbitrary rule by officials and restore rule by the people.

At present, we do not always find mutual understanding with the oblast administration. But experience has shown that a businesslike compromise may be sought with the executive authority at the regional level.

[Morozova] Voronezh is the center of Russia's chernozem region. Problems related to agrarian and land reform are probably of particular importance here, aren't they?

[Rudakov] The oblast дума has noted that, as a result of the Russian Government's insufficiently considered credit-monetary and financial policy in the agro-industrial complex, the accelerated transformation of property for land and other means of production, and the hasty and unprepared changes in the organizational and legal forms of agricultural enterprises, the oblast's agricultural economy has been brought practically to the brink of catastrophe.

[Morozova] As the secretary of the KP RF oblast committee, what can you say about communists' influence on life in the region?

[Rudakov] A strong party nucleus has taken shape in the oblast. There is a clear understanding that new aggravation of the socioeconomic situation, and hence the political situation, is not far off. We have to be prepared for this and make use of parliamentary and strike forms of struggle. Unfortunately, our organizational weakness is closely linked to ideological weakness. Many questions continue to be unanswered: What kind of economic program should Russia have, and what kind of ideology should we follow in working with young people? In my view, society and the party are underestimating the chance of a new surge in Zhirinovskiy's petty bourgeois populism.

And, although many problems have accumulated and we sometimes even throw up our hands, I know very well that now there are no bans, repressions, or threats as in 1991, and you will not break up the party.

ZAVTRA on CIA and Privatization

944F1122A Vladimir ZAVTRA in Russian
No 26, Jul 94 pp 1-2

[Article by the DEN Security Service: "Chubays, You're Making Friends With the CIA"]

[Text] The DEN security service has obtained reliable data concerning the aspirations of certain foreign states and their special services and financial and industrial circles to participate actively in the process of the denationalization of property and concerning attempts to obtain access within the framework of this process to information regarding the country's entire national economic and defense complex.

In the area of the work of the Russian Federation State Committee on the Administration of State Property the special services of foreign states have at their disposal especially favorable conditions for carrying out intelligence operations through their collaborators and agents acting under the cover of specialists in the field of economics.

At the recommendation of U.S. citizen Jeffrey Sachs, former leader of the group of experts of the department for macroeconomics and finances of the Center for Economic Reforms under the government of the Russian Federation, and without coordination with the Russian organs having jurisdiction, a sizeable group of advisers from the USA,

Canada, France, England, Australia and a number of other countries, representing the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, the International Finance Corporation, as well as a number of other foreign state and private commercial structures, research institutes and institutions, was invited in 1992 to work in the Russian Federation State Committee on the Administration of State Property. More than 200 such specialists arrived in the country in 1992 alone, and a trend towards the substantial expansion of such a practice has subsequently taken shape.

Among the foreigners recommended as specialists on privatization questions in the State Committee on the Administration of State Property's field arriving in the Russian Federation were: James Boyd, a career employee of the U.S. CIA; Gerhard Dzheys [as transliterated] Christopher, a career American military intelligence agent; Sharbel [as transliterated] Akkerman, David Fisher, Ellison Hilton, Mark Kaminski, Roman Pipko, David Wilson, Boris Bakal, Jonathan Pavlyuk, Charles Wyman (Uaymen), Thomas Bruce and a number of others, suspected with good reason of belonging to the intelligence network of the special services of the United States of America.

A number of facts can attest to the accessibility of strategic information on Russia to foreign specialists. By Order No. 141 of Chairman of the State Committee on the Administration of State Property Chubays, dated 31 July 1992, a department of foreign technical assistance and expertise was created in the committee at the expense of the establishment strength. Jonathan Hay, a U.S. citizen born in 1961, an associate of Harvard University, and personally recommended by Sachs, was designated chief by the very same document. On the latter's initiative representative of the International Bank Swiss citizen Sharbel Akkerman, representatives of Harvard University Swedish subject Martin Anderson, U.S. citizens John Boulter [as transliterated] Fitzgibbons and Alexandra Mary Bacru, South Korean citizen Kvon Gukhun [as transliterated], and French citizen Bozhidar Dzhelich [as transliterated], and representatives of the Harvard Institute for International Development U.S. citizens Gilberto Sanchez and David Benjamin Fisher and a number of others were recruited into the department as specialists.

At Hay's initiative an expert commission was formed in the committee by order No. 188 of Chairman of the State Committee on the Administration of State Property A. Chubays dated 5 October 1992. It was instructed "without fail" to examine "all (other than secret) drafts of edicts of the president, decrees of the government, directives of the Chairman of the State Committee on the Administration of State Property, and directives of the deputy chairmen of the State Committee on the Administration of State Property relevant to determining the specifics of privatization in individual sectors of the national economy, the creation of holding companies, and the transfer of the management of enterprises (by blocs of stocks) in trust." Hay was appointed as deputy chairman of the commission and (apart from two staff members of the committee who are Russian citizens the foreigners Akkerman, Anderson, De Gira [as transliterated] and Gukhun as members.

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It is reliably known that Hay presides over the accumulation and processing of information regarding the entire national economic complex of the Russian Federation, takes serious measures with respect to barring Russian specialists and other foreign specialists from the summarized data he has, and handles their transmittal, using regular departures to the United States as well as personal contacts with the U.S. Ambassador in Moscow.

Corresponding work is also carried on by a number of other foreigners who are enlisted as advisers of the State Committee on the Administration of State Property on a temporary basis at Hay's initiative or go out to local committees on the administration of state property under the pretext of rendering practical assistance.

Thus, Alan Bigman, an expert of the International Finance Corporation, was recommended to the governor of Nizhniy Novgorod Oblast, Nemtsov, and was appointed as the deputy chairman of the oblast committee on the administration of state property for land reform. The foreigner resigned from this work because of a lack of competence, but after a trip to Moscow and consultations with Hay he reported that he had been commissioned to engage in an analysis of the making into joint-stock companies of the oblast's industrial enterprises, which include important defense facilities as well as those which determine Russia's economic potential.

Another American—Michael Dissaro, from 1989 through 1992 a former attache of the economic department of the U.S. Embassy in Moscow, repeatedly attempted to obtain confidential information on the problems of privatization in a number of the regions of Russia, including in Nizhniy Novgorod Oblast. In December 1992, on the recommendation of Hay and Bigman, he arrived in Nizhniy Novgorod already as part of a group of representatives of the International Finance Corporation to assist in the preparation for a particular check auction. Instead of carrying out the official purpose of the trip the foreigner made attempts to obtain access to restricted information on the region's industry. Dissaro has steady contacts with representatives of the American special services and periodically transmits summarized information on the region to the U.S. Embassy in Moscow.

Through Hay representatives of the American auditing firm "Price Waterhouse" working in Moscow are persistently attempting to obtain access to information coming into the State Committee on the Administration of State Property regarding making industrial enterprises into joint-stock companies and to keep Russian specialists away from working with it. Similar attempts of "Price Waterhouse," acting under the cover of the so-called Group for the Monitoring of Check Investment Funds, are being carried out at the regional level.

It is not to be ruled out that the persistent attempts of foreign states and their intelligence network to obtain intelligence information from legal positions about Russia's economic potential and the course of the reforms under way, on the one hand, and the absence of the necessary protective measures on the other, already could lead to the leakage of confidential information abroad. The fact of the publication by U.S. governmental structures of

the reference book "Russian Defense Business Directory," which contains, according to preliminary estimates, detailed information on Russian defense complex enterprises, scientific research institutes and design bureaus, in particular, suggests confirmation of this.

The inflicting of intentional injury to the vitally important, strategic interests of Russia is a grave crime against the Motherland. Not only the direct performers but also those officials and organs who have the direct authority to prevent such crimes but which have not undertaken the appropriate measures assigned by the law, bear responsibility for such injury. The statute of limitations does not extend to such a crime.

Interview With Acquitted Putschist Varennikov

944E1135A Moscow PRAVDA in Russian 13 Aug 94 p 1

[Interviews with General of the Army Valentin Ivanovich Varennikov, Oleg Semenovitch Shennin and A. Lukyanov by Viktor Trushkov; place and date of interviews not given: "The General's Main Victory: The Military Board of the RF Supreme Court Concludes That Members of the Emergency Committee Were Not Putschists"]

[Text] *Having congratulated Valentin Ivanovich on his victory—an acquittal by the Military Board of the RF Supreme Court—I opted for the tactless approach:*

[Trushkov] This, I think was the main victory of General of the Army Varennikov.

However, he readily agreed with me, despite the fact that he had the Great Patriotic War behind him (recall that this valiant line officer was put in charge of the honor guard that carried the Victory Banner from defeated Berlin to triumphant Moscow). After that, his service record included almost all of the hot spots on the planet, even the most tragic—Afghanistan and Chernobyl. But he agreed:

[Varennikov] Yes, it was the main victory. Especially if you consider the present sociopolitical situation in the country. I would just like to make it clear that this is our common victory—of all who did not betray the Soviet Union.

[Trushkov] Obviously the decision of the court is also a legal reexamination of the assessment of the Emergency Committee that circulated in the post-August state.

[Varennikov] The procurator and the court came to conclusions far beyond the limits of clearing just one person. They reached conclusions that restored the truth. First of all, regarding the absence of a conspiracy, particularly at the 16 August meeting at the ABTs [not further identified] facility. Second, the conclusion that President Gorbachev could have averted the state of emergency, had he flown to Moscow. Third, the indication that by all of his behavior during the August crisis, Gorbachev failed to fulfill his presidential responsibilities. It is also clear now that Gorbachev's assertion that he was isolated in Foros did not correspond to reality, because it was revealed in court that he could have communicated from the Crimea with anyone he wished. Finally, the procurator's statement that the death of the three lads was not associated in any way

with imposition of the state of emergency is also important: This incident was blamed, after all, upon every defendant in the "Emergency Committee case."

Because the court's decision recognizing the innocence of Lenin Prize laureate, Hero of the Soviet Union, General of the Army V. I. Varennikov could also be viewed as a political justification of the Emergency Committee, I asked O. Shennin to comment on the court's judgement.

[Shenin] This was first of all the triumph of justice and law. We argued continually right from the beginning of the inquiry, which was not so much a legal as a political one, that the goal of the August events of 1991 was to defend the Union of Soviet Socialist Republics. We were always convinced that in August 1991 we acted in the interests of the people, and in accordance with their will, which was expressed by the March referendum of that same year. Both the speech by the state prosecutor and the judgement of the judicial board practically confirmed that our actions were proper, consistent with the Constitution, and that we were defending the USSR.

[Trushkov] Are there any grounds for viewing the court's decision as a legal assessment of the activity of all politicians who had been accused of organizing the Emergency Committee or assisting it?

[Shenin] I feel that the decision of the Military Board of the RF Supreme Court regarding the Varennikov case is a legal assessment of the activity of all who were indicted in the "Emergency Committee case."

[Trushkov] Oleg Semenovitch, it is a coincidence that the Military Board of the RF Supreme Court rendered its decision in the Varennikov case on the eve of the anniversary of the August events. But the coincidence is noteworthy. Can this be considered to be a reflection of change in our society's mood?

[Shenin] Were we to publish the Appeal of the Emergency Committee to the Soviet People and the committee's first decree today, these documents would be supported by the majority of the country's population. The need for improving the situation is far greater today than even at that time. Moreover the predictions contained in the August documents regarding the difficulties and misfortune that would occur if the course toward a capitalist society were to be maintained proved themselves true several times over in the past 3 years.

At around midnight 11 August I telephoned A. Lukyanov, the last chairman of the USSR Supreme Soviet.

[Trushkov] Could the court's decision be viewed as a legal assessment of the Emergency Committee and of all who defended the unity of the USSR in August 1991?

[Lukyanov] I prefer to see not only a legal but also a sociopolitical side to this problem. Just a few hours ago I returned from a visit to voters in Smolensk Oblast. Literally all whom I met in the last few days voiced their approval of the procurator's statement regarding the innocence of V. I. Varennikov, and today's court judgement. General of the Army Valentin Ivanovich Varennikov is without all doubt a hero of our people.

The conclusion of the procurator and the decision of the court pertain not only to V. I. Varennikov. They also contain an assessment of actions taken by me and my comrades in the proceedings. This cannot but influence the legal and social assessment of the August events in general.

At the same time, following in Varennikov's footsteps, each of us could obviously say that while not admitting any guilt, we feel sorry that we had not displayed greater decisiveness and greater firmness in order to preserve the USSR.

[Trushkov] But the decision of the court (it is emphasized in the judgement that it is not subject to review) places the legitimacy of the post-August government in doubt.

[Lukyanov] In assessing the post-August government, I think we should base ourselves on the notion that a real revolution occurred after August 1991. The Belovezhskiy [transliteration] agreements became its principal phase, and the events of October 1993 were the bloody stage of the revolution. These phenomena are links on the same chain. Therefore I think that the Emergency Committee trial, which is now considered to have been concluded, has actually become the start of a judicial proceeding against the destroyers of our country, and of its social and state structure.

'Round Table' on Concept of Non-State Supplementary Pension

944E1130A Moscow DELOVOY MIR in Russian
No 165, 1-7 Aug 94 p 26

[Materials, under the rubric "Society: DM (DELOVOY MIR) Round Table," from round table discussion with Vladimir Nikitin, president of the Association for the Development of Non-State Pension Funds; Yuriy Volkov, chief inspector of the Non-State Pension Fund Inspection Office under the Ministry of Social Protection of Russia; Oleg Zhukovskiy, executive director of the Republic Non-State Pension Fund; Sergey Grigoryan, general director of the Baltic Branch of that fund; and Yevgeniy Yakushev, vice president of the above association; prepared by Yuriy Lobov: "How To Raise the Pension Bar"]

[Text] Once again public opinion has been agitated by various rumors surrounding the pension problem. The decision of the State Duma to raise minimum pensions by a factor of 1.4 starting on 1 August is directly in conflict with the proposal of the government and the Russian Federation Pension Fund to make do with a more modest factor. This step requires that monthly pension payments be increased by 1 trillion rubles right off, and there is nowhere to get that kind of money now. Alarming headlines concerning the threat of a social explosion if the decision made is not fulfilled have appeared in the press. However that may be, the interests of 36 million pensioners are affected.

This situation once again recalls the need to accelerate the reform of the Russian pension system and look for new sources to increase pensions. And they do exist, among others the voluntary supplemental pension support market which already exists. The round table which DM recently held at the Association for the Development of Non-State Pension Funds was devoted to that topic. This public

association has been in operation for a little more than a year, but it already has 126 participants in its ranks. Participating in the discussion of the problems of the voluntary supplemental pension support services market were the president of the Association for the Development of Non-State Pension Funds, Vladimir Nikitin; the chief inspector of the Non-State Pension Fund Inspection Office under the Ministry of Social Protection of Russia, Yuri Volkov; the executive director of the Republic Non-State Pension Fund (RNPF), Oleg Zhukovskiy; the general director of the Baltic Branch of the RNPF (city of Kaliningrad), Sergey Grigoryan; and the vice president of the association, Yevgeniy Yakushev.

[Zhukovskiy] In my opinion, we can consider that a new market in voluntary supplemental pension support services has taken shape. I will explain why. All the functions of a market are present, and we have non-state pension funds (NPF's) which began to appear just 2 years ago. They now live in the scant but still legal space defined by the president's Edict No 1077 of 16 September 1992 "On Non-State Pension Funds." At long last the Non-State Pension Fund Inspection Office under the Ministry of Social Protection of Russia has appeared, as was determined by the edict. There is the professional association of NPF's, the Association for the Development of Non-State Pension Funds, which sets the rules of the game and supervises their fulfillment. True, it is not yet punishing people who have violated these rules, but everything does not happen at once. The number of registered funds today is already more than 300, by other estimates—400, and by yet others—500. Some have already begun paying out second pensions. For example, the Krasnoyarsk All-Russian Open Non-State Pension Fund, the "Ozera" Fund in Kaliningrad near Moscow, and a number of others. In this way, the presence of all these elements allows us to assert that the market exists.

[Volkov] It is impossible to draw an objective picture of what is happening on this market until the practice of licensing NPF's is introduced. Therefore, it seems to me that we should be cautious in our evaluations. One thing is indisputable: this important segment of the financial market is undergoing its formative stage. It can be considered important because it fulfills significant social functions. Providing people with supplemental pensions takes some of the urgency out of this issue. On the other hand, large financial resources are beginning to be concentrated here, and that allows us to resolve important economic problems. What is happening in other countries will happen in ours too, though not immediately.

State control of this is unquestionably necessary. The state is simply required to act as the legal guarantor in places where the vital interests of a great many people are so intricately intertwined. Our inspection office was formed recently in accordance with the presidential edict mentioned. It has been charged with the authority to license non-state pension funds and companies for managing their assets and with keeping the appropriate registers.

The process of the creation of the funds was so rapid that it greatly outdistanced the formation of a normative base. In order to put the process on course somehow, the Ministry of Social Protection was forced to resort to a

preliminary expert study, which naturally did not have legal force behind it. For the most part it clarified whether the documents of the funds corresponded to the objectives and tasks of pension support.

Everyone is extraordinarily concerned about the problem of formulating legislation; the market cannot develop further without it. A law on non-state pension funds must be made paramount here. At best, it can be adopted no earlier than fall or winter of this year. Vigorous work is now underway on the draft of this law in the government, in the State Duma, and in the NPF Association.

I am not revealing a secret if I say that the creation of an inspection office puts some people on guard. They fear that it is a new bureaucratic organ pursuing exclusively its own interests and will become an obstacle rather than a filter on the path of the creation of new funds and ultimately will make this sector economically unattractive for business. I want to emphasize that we are creating an organ to monitor the funds' activities rather than an organ for operational management. If the inspection office does not forget that the funds are not state funds and the funds always remember that they are pension funds, I am certain that constructive, business-like cooperation will be organized between them.

[Nikitin] The Association for the Development of Non-State Pension Funds was created in 1993 as an association of participants in the voluntary supplemental pension support market. Membership in it is not restricted only to non-state funds. Its members include banks, investment and insurance companies, and commercial structures which want to become familiar with these problems in advance before creating a fund.

I want to say a few words on the character of the association's activities. The main source of existence is dues, and the main goal in the initial stage is participating in preparing laws and a normative-methodological base. From the very start, our market has not been waiting for them but has been actively demanding them, unlike, perhaps, certain other areas of business. The particular characteristics of our market simply require that we have rules. The creation of the association shows our desire for self-regulation.

We live in a world where there are written and unwritten rules of the game. By written rules I mean the laws, which are written extremely slowly at times. The declaration of the participants in the voluntary supplemental pension support market which was adopted a year ago can be cited as an attempt to establish the unwritten rules. It contains a compendium of certain moral norms, a kind of professional code of conduct. This code includes first the requirements for the complete priority of the rights of the participants in funds, obligations to work with assets honestly, and a number of other very important provisions.

Even strict supervision of compliance with laws on the state's part cannot reveal all the loopholes and cracks by which the market can be penetrated by those who like to earn big money quickly and by any means. This supervision must obviously be supplemented with public control, best represented by professional organizations.

[Yakushev] Today regional networks of our association are being actively developed; in particular work is being done to organize the North Caucasus, Northwest, and North Siberia regional divisions. A number of branches have appeared, the Bryansk and Tula branches, and others.

A kind of consulting assembly line has been organized. A great many firms which service this market by providing services related to information, technical, and program support and to cadre training have appeared.

Three or four variants of the technology for non-state pension funds exist. About 20 firms are engaged in disseminating information. In the West consulting is one of the most expensive services. Its cost is roughly 100 times higher than here. Nonetheless, we have firms which are doing as good a job as Western firms.

[Nikitin] The idea of non-state pension support is a church idea. It is for everyone and may be included in any social program of any party, faction, or group. It is good for the employee just as it is good for the employer.

For many years in our country the state took care of old-age support by introducing taxes which were used to pay pensions. An impersonal distribution system where the working generation fed the nonworking generation was created. And there was no mechanism for realizing the right to old-age support.

Non-state pension funds are in fact an attempt to form these mechanisms. Each person can take care of his own old-age without subcontracting it to the state altogether. The success of the new business depends to a significant degree on the ability to reorient mass consciousness. The state pension, it is evident, will remain, but as the lower bar. Today even the maximum size of state pensions is restricted to three minimum pensions, as is well known, but non-state pension funds allow this level to be raised many times over. The maximum amount of a supplemental pension will depend only on the personal contribution.

[Zhukovskiy] The right to a pension, like the right to work, is among the fundamental human rights. What is a pension? It is not so much a measure of what a person has earned as what he was given. An employee is in practice unable to influence the size of it. A pension which an employee forms himself is another matter. It is very important that there is freedom of choice here. First, choice of the fund itself from a whole number of similar ones; and secondly, choice of the various plans for pension payments, and they are measured in the dozens.

There is one more fundamental feature. A person puts aside money for himself for the more or less distant future, but it begins to work in the present. A pension fund means savings today. I am certain that Russia will not come out of the crisis without a system of non-state pension funds.

It is an extremely big business throughout the world. Today we are experiencing the start of intensive growth of this market. It will reach the top very rapidly and outdistance insurance companies, banks, and so forth. In the United States, it is long-term money with an investment horizon of 60 years. In our country this horizon can already be seen at roughly 15 years.

Some people today think that conditions for this market have not yet matured. When inflation drops, they say, that would be another matter. It is all in fact just the opposite: the larger the sums diverted for ongoing consumption, the lower the inflation level. The lower the inflation, the larger the sums that can be diverted to ongoing consumption and used for investments. They are related things.

[Grigoryan] Our fund is a representative of a non-state pension fund of regional significance, although it also has features related above all to Kaliningrad Oblast's detachment from Russia. The question of pension support also has a specific "Kaliningrad" aspect. Fishermen whose average productive life is markedly lower than for Russia make up the basis of the oblast's labor resources. Many of them do not live to pension age. Consequently, perhaps before anyone else we began to question the government about creating private pension funds. For several years all our attempts ended in failure. And only in January of this year was progress made. Our fund was finally registered at the social protection administration of the oblast administration.

And given the almost complete lack of an appropriate legislative base, the administration ratified a temporary statute on the procedure for registering NPF's and specialized companies. In other words, it assumed responsibility for the activity of these structures. Unfortunately, in our times we often meet examples of just the opposite.

We began to open named accounts in May of this year. How did the population react? Suffice it to say that around 1,000 people appeal to us on this question every day. The number of participants during these last 1.5 months reached several thousand and continues to grow rapidly not only from among residents of Kaliningrad, but from the oblast.

The Baltic Division, on the one hand, relies on regional structures, but, on the other, is a part of the Republic Non-State Pension Fund. This "built-in" feature on a higher level allows us to guarantee participants in our fund payments for the future in all regions of Russia. Indeed, among our clients are a great many soldiers, sailors, and fishermen who often change their place of residence when they go on pension.

Our fund cooperates closely with the local administration, which, as I already said, has done quite a lot to facilitate our first steps. Such relations are taking shape with the oblast Duma too. In the near future, hearings are to be held on the question of non-state pension support. We would hope for a distinct formula: to create a system of guaranteed voluntary supplemental pension support in Kaliningrad Oblast.

[Nikitin] The association is doing a great deal to train cadres. We have proposed to hold the next major measure on this level in Kaliningrad from 17 through 21 August. It will be a conference-seminar of all-Russian scope with the participation of international experts on the topic "Non-State Pension Funds: Experience and Problems of Establishment and Development." I am certain that we will have enough ammunition to hold this meeting on a high professional level. We intend to assemble 300-500 people. Among them will be managers and prominent specialists

of commercial banks, non-state pension funds, and companies. Prominent specialists from the Ministry of Finance, the Ministry of Social Protection, and the NPF Inspection Office and managers of the largest NPF's will speak at the seminar. It is precisely at such large-scale meetings and conferences that the market proves itself. People wanting to know more details about the Kaliningrad meetings and conferences and the conditions for participating may call (095) 958-56-66.

We hope that this meeting of representatives of the financial world, investment institutions, and the social sphere will help work out a mechanism of interaction of interested parties in order to confirm a modern voluntary supplemental pension support market in Russia.

Central Bank's Draft Program on Monetary Policy Questioned

944E1137A Moscow *KOMMERSANT-DAILY* in Russian
10 Aug 94 p 3

[Article by Aleksandr Slavuk: "Effectiveness of Central Bank Policy Remains Questionable"]

[Text] In the tradition of recent years, a great deal of importance is being attached to the Central Bank's program documents—especially by international financial organizations trying in vain to understand Russia's economic policy. Extremely noteworthy in connection with this is the appearance of the draft of a new TsB [Central Bank] program under the title of "Basic Directions of the Monetary Policy for 1994," with which, yesterday, the government specialists started to get acquainted. The program clearly surpasses its predecessors, both in the elegance of the terminology used in the international financial community and in the strictness of the analytical calculations which conform to the latest developments of economic theory. However, the measures stipulated in the program are hardly capable of ensuring the attainment of the main official goal of the authorities' financial policy—the stimulation of investments in production.

It is quite natural that the final results of the monetary policy of the Central Bank and the government in 1992-1993 are summed up in the program first of all. This policy was remarkable in many respects. In the summer of 1992, having run into the acute aggravation of the non-payments crisis, the authorities resorted to the printing press for a temporary solution of the payment crisis. In 1993, it was necessary to pay for this by pursuing a very harsh monetary policy. Thus, while the nominal (i.e., figured in current prices) VVP [Gross Domestic Product—GDP] increased by a factor of 9, the money supply (M2) grew by a factor of 5.1 in all. Even if you agree with the Central Bank's specialists that the rate of the money turnover increased in 1993 by 18 percent (which is doubted by the experts—first of all, because of the rapid increase in indebtedness and the immobilization of the enterprises' reserves) and partially compensated for the shortage of actual money, the "scissors" are making an impression between the money supply and the GDP. As a result, the government managed to attain an important operational goal of financial stabilization—to employ fully the "demand" limitations in production. In fact, as of this moment (the end of 1993 and the

beginning of 1994), it is right to talk about the economy's entry into a period of "shock therapy."

Based on 1994's results, in accordance with the Central Bank calculations listed in the draft, the slump in industrial production may reach 35-38 percent in comparison with 1993. The GDP's drop is predicted to be at the level of 10 percent, since the industrial sector's share in the GDP has been falling steadily (from 58 percent in 1992 to 42 percent in the first quarter of 1994) and there is hope for an increase in demand in the service sector and the unofficial sector. Proceeding on the basis of these assumptions, the Central Bank intended, by the end of 1994, to increase the money supply by a factor of 3.54 and to achieve a lowering of inflation to 8 percent per month.

At the same time, this forecast may turn out to be too optimistic. The experience of a number of other countries which are implementing a radical structural reorganization of their economies (such as Hungary, Poland and Vietnam) testifies to the fact that a large-scale slump in the production sector in the short term deprives both the service sphere and large segments of the unofficial economy of resource and demand support. Their growth as a consequence of this has been distinguished by extreme instability and sensitivity to the slightest fluctuations in the currency exchange rates and in the interest rates within the country and abroad and to scandals and shady transactions in the young domestic financial markets. In the long-term aspect, the decline in production and investments is creating technological limitations in the economy. Proceeding on the basis of these considerations, it is quite possible to conclude that it is presently almost impossible to forecast reliably the short-term changes in the dynamics of Russia's GDP due to the assumed growth in the service sphere and the unofficial sector. However, this is also indirectly acknowledged by the Central Bank's specialists themselves, who do not exclude the possibility of a more profound slump—a lowering of the GDP by 12 percent. The budget deficit in this version is supposed to amount to 75 trillion rubles [R]. The rate of inflation will remain at the level of 10-12 percent per month.

As might have been expected, in the draft of its program, the Central Bank is trying by every possible means to emphasize that any unfavorable turn of events in the financial sphere may occur not so much through the fault of the bank itself as because of the imperfect nature of the government's policy—for example, because of its lack of a clear idea of the structural transformations. Confirming the conclusions of the well-known theoretical "inflation—unemployment" model, the Central Bank's specialists warn about the growing difficulties of the struggle against inflation under the conditions of the continuing slump. As a summary, the draft's authors diplomatically declare that the Central Bank's policy (or more accurately, its effectiveness) will depend on "conditions which will be determined by the sequence of the government's actions in the area of the implementation of the economic reforms."

For its part, the Central Bank is expressing complete readiness to use all those methods of financial policy, on which the government has been actively insisting lately. However, the basic thing is that the effectiveness of many of these methods may, even now, be subject to doubt—

which, undoubtedly, will have a telling effect in the future on the financial policy's results. We are talking, first of all, about the State Short-Term Bonds (GKO), on which the government and the Central Bank clearly intend to count, as before. At first glance, the bond [GKO] market is the most striking achievement in the financial market over the last year. Its volume exceeded the level planned for 1994 (R2.5-3 trillion) by July. Given such dynamics, the attainment of the R9-10 trillion level by the end of 1994 seems quite likely. I.e., by year's end, through this source, it will be possible to cover up to 20 percent of the budget deficit. The Central Bank's dream of many years—to get away from deficit funding of the state budget—seems close to realization. Moreover, the bond [GKO] market is formally contributing to the formation of the state securities market and the testing of technologies for "transactions in the open market," which has also been declared one of the priorities of the Central Bank's policy.

However, the use of the State Short-Term Bonds has still not led to the previously declared goals of a lowering of the budget deficit and the development of a rational fiscal policy. On the contrary, the emission of the State Short-Term Bonds is beginning to resemble the ordinary "printing press." The redemption of the previous issues of the securities is being carried out not through improvement of the budget indicators and the budget resources freed up through this, but rather, through the issuing of new bonds. The avalanche-like increase in the state short-term debt is not only threatening the liquidity of the state securities market, but is undermining the investments in production. Both the government and the Central Bank have fallen into a vicious circle. In trying to get away from deficit funding, the Central Bank is stimulating the bond [GKO] market. The high rates for the State Short-Term Bonds are proping up the credit market rates. The commercial banks are gladly investing in the state debts without being sufficiently concerned about the search for projects for investments in production. And the enterprises themselves are unable to obtain credits at such interest rates. As a result, investments are falling, conditions for the continuation of the slump are being maintained and budget revenues are falling, increasing the budget deficit. The circle has been closed. Incidentally, the danger of the emergence during the issuing of the State Short-Term Bonds of the screen effect, which "reflects" the flow of investments into the real sector, was obvious even during the discussion of the plans for the first issues of the State Short-Term Bonds in the spring of 1993.

It is true that the authors of the Central Bank's draft are proposing a number of measures which have been counted on, at least partially, to punch a hole in this "screen." Thus, the Central Bank is planning to supplement the system of special-purpose credit extension with a mechanism for the registration of promissory notes. The emission of promissory notes against the enterprises' obligations, carried out by the large commercial banks, has been called upon, according to the Central Bank's specialists, to pick out viable and promising enterprises. Then these promissory notes may be registered in the Central Bank or be used as security for special-purpose credits to the indicated enterprises.

Other innovations proposed by the Central Bank pertain basically to the development of a system for refinancing the commercial banks. These are credits to the banks, secured by state securities (lombard credit), and a mechanism for refinancing the banks through a market for the buying and selling ("swapping") of first-class assets (precious metals and currencies). However, it is obvious that the mobilized assets will hardly significantly increase investments in the real sector, given the existing high rate for refinancing. Most likely, these measures show the attempt of the Central Bank (just like the government) to provide additional support to the commercial banks—which is natural, inasmuch as it is precisely their authority which the authorities have lately been attempting to use as the main lever of their own economic policy.

[Boxed material follows]

The Basic Innovations Being Planned by the Central Bank in the Monetary Policy

1. Actively assisting in the turnover of state securities and testing technologies for "transactions in the open market."
2. Stimulating the investment activity of commercial banks, including through the "splitting of the risk between the state and the banks."
3. Encouraging the commercial banks to assist in solving the non-payments crisis.
4. Supplementing the system for special-purpose credit extension with a mechanism for registering and securing enterprises' promissory notes.
5. Allocating credits to the commercial banks, secured by state securities and refinancing the banks through a market for the buying and selling of first-class assets.

Deteriorating State of Public Health Examined

944K2123A Moscow LITERATURNAYA GAZETA
in Russian No 32, 10 Aug 94 p 12

[Interview with Professor Aleksandr Kiselev, conducted by Lora Velikanova: "We Are Dying Like in a War"]

[Text] *Homicide, serious injuries on the job and on the highway and poisoning (primarily by alcohol substitutes), i.e. the unnatural causes of the sharply rising mortality rate in our country, are the number one issue today, emphasized Professor Aleksandr Kiselev in an interview with Lora Velikanova.*

[Velikanova] Your association has a serious-sounding name—lord, it's not even easy to pronounce "NPO Medsotsekoninform" [the Medical and Social Economics Information Scientific Production Association]—but behind it, as I understand it, there lies a rather simple though difficult goal: to analyze the state of our health or, more precisely, the social effects of all our diseases (it is not surprising that most people refer to your association as the Public Health Institute). In our country it has always been very difficult to acquire that kind of information. Firstly, because people's health and their lives were always valued very cheaply, so this type of research did not receive very much encouragement. Secondly, the data (and they were

not the best in the world anyway) were kept secret. Reveal that secret at last, and tell us about the main conclusions that scientists have drawn from several years of research.

[Kiselev] Our scientific production association is in fact the only analytical center in the country that is attempting to measure the social cost of various diseases or, even more important, the social losses that result from the increasing number of illnesses, disabilities and deaths resulting from the state of the environment, the standard of living, the economic crisis, instability and all the other things with which we are forced to live. In the West, in the civilized countries, this kind of research is commonplace, but here it is truly exotic, because unfortunately even today the government's social policy continues to rest on the same invalid principle as in the past: that the low value of human beings and the low value of the work force is to our advantage as we carry out economic reforms.

[Velikanova] That is to say, reforms are not being carried out for people's benefit, but instead at their expense, and at the expense of their health?

[Kiselev] Using this approach, the problem of public health becomes insoluble, caught up in a vicious cycle: investment in human beings declines, the cost of loss of health seems to decrease correspondingly, and this in turn results in further large reductions in the amount of social investment.

The situation is critical. Moreover, it is not just the scale of the unfolding catastrophe in the state of people's health, both physical and mental, that is dangerous, worse yet is the frighteningly strong acceleration of negative phenomena.

[Velikanova] There has been a sharp decline in the birthrate, population growth has stopped, and we have even seen a negative trend. What is the reason for that? What can your research tell us about this?

[Kiselev] Our country's birthrate situation is unique. We have gone from the Asian family type (with a large number of children) to the European type (one or two children). This is easy to trace and compare in numbers. Consider this: the gross birthrate in Italy is 1.3, in Spain 1.4, in Portugal and Greece 1.5. The figures are quite different in backward countries: Rwanda 8.5, Malawi 7.6, etc. Here in Russia the figures were 1.6 in 1992 and 1.3 in 1993, that is, figures close to the European level. Of course, the birthrate is low, but not disastrously so. The loss of population in our country is not due to a low birthrate, but primarily to an excessive mortality rate.

[Velikanova] Is it primarily men who are dying, as usual? Are they still in need of preservation, as in the past?

[Kiselev] Yes, the high mortality rate is particularly evident among men; they die very frequently and very early. By way of comparison, in Japan the average male life expectancy is 76.3 years, in Israel 75.1, and in Sweden 74.9. Average female life expectancy in Japan is 83, in France 82, and in Switzerland 81.7. Thus men in the civilized countries are living 16-17 years longer than in our country, and women live 10-11 years longer.

Several decades ago it took us 5-10 years to gain one year of life expectancy. Now we are losing several years in a single year.

[Velikanova] If the root of the problem is the higher mortality rate, does that mean we don't know how to treat diseases? Or do we lack instruments and medications?

[Kiselev] That is the question I was waiting for. As soon as people find out that our main problem is an excessive mortality rate, they all start pointing the finger at medicine—diseases are its responsibility, so supposedly it is responsible for the deaths, too. But let us take a look at the mortality rate structure.

Among men the mortality rate structure resembles what one finds in wartime: most losses are due to external factors such as homicide, highway accidents, job-related accidents and poisoning (primarily by alcohol substitutes), i.e. all sorts of unnatural causes of human mortality. These account for almost one-half of all deaths.

[Velikanova] What about women?

[Kiselev] Unfortunately, the female mortality rate structure is also beginning to tend in the same unnatural direction. That is a very negative, disheartening trend. Here as well we find an increasing number of deaths attributable to homicide, liquor substitutes and job-related accidents. And highway accidents are actually distributed roughly equally between men and women.

[Velikanova] We assume that few people are now dying at home in their beds of old age and illnesses. But many people are getting sick, that is obvious to the untrained eye. What does the trained eye see? To what should we pay particular attention in this regard?

[Kiselev] To chronic illnesses. And once again bear in mind that the answers to perplexing questions are most often not to be found on the surface.

Consider oncology. Officially, things look pretty good in that area: cancer rates are virtually not increasing at all, and in some regions are actually declining. Yet analysis indicates a sinister trend—the figures are not going up because large segments of the population are not living long enough to reach the age where oncological problems begin to appear.

[Velikanova] So there is no reason to beat the drums and celebrate a victory over cancer?

[Kiselev] No. Oncological cases have declined as a result of the marked drop in life expectancy, particularly among men.

However, the number of cardiovascular ailments—heart attacks and strokes—continues to rise. It may be true that fewer people are dying of them than 10 or 20 years ago; we have learned how to care for patients. But there is an increase, just not a catastrophic one.

[Velikanova] Tuberculosis?

[Kiselev] Most of the unfavorable trends are being manifested in the area of sociopathies. Foremost among those is the increase in the tuberculosis rate. And what an increase! Over a period of only a few years it has risen by 40 percent,

despite declining for decades prior to that time. The number of beds in tuberculosis hospitals has been reduced and tuberculosis sanatoria have been shut down because they were standing empty. Now over the past two or three years there has been a surge, and among both adults and children—by 24.4 percent in three years. And the increase is not even and slow, it is in fact a surge, and it is accelerating.

However, no matter how large this problem is, it is not the main one. That would be the social losses due to manifestations of marginal psychiatry. Severe cases of psychosis are not increasing, just within the limits of one or two percent, no more than that (including schizophrenia). But illnesses that are more closely connected with social causes—senile psychoses, affective psychoses and reactive psychoses—and all types of psychosomatic problems are increasing very rapidly.

[Velikanova] Please cite some figures.

[Kiselev] A general feeling that the accustomed world is crumbling, coupled with long-term stresses, results in a society becoming psychopathic and society's mental health worsening. Whereas in 1989 there were 269.2 mentally ill persons per 100,000 population, in 1993 this figure was 313. Moreover, 72.3 percent of this structure is comprised of non-psychotic disorders. When one analyzes visits to psycho-neurological clinics one finds that in the psychosis group schizophrenia (a psychosis of biological origin) has increased by only 1.4 percent, while psychoses of primarily social origin are way up: reactive psychoses by 8.5 percent; senile psychoses by 17 percent; the group including post-traumatic, affective and somatogenic psychoses by 20 percent. In the group of non-mental disorders the situation has clearly gotten worse. Specific syndromes typical of children have increased by 10 percent, neuroses by 22 percent, and psychosomatic disorders by 62 percent.

[Velikanova] I am afraid not all our readers know what psychosomatic disorders are, and may not understand why they in particular are on the rise.

[Kiselev] Psychosomatic disorders are always rooted in external unpleasantness. The individual feels certain painful physical sensations, perhaps a pain in the heart, the liver or the stomach. Yet the pattern of these disorders does not fit into the usual symptoms associated with the heart, the liver or the stomach. In olden times this was called a hysterical syndrome, which is incorrect. Psychosomatics is the correct name, i.e. going from the mind to the body. If life continues to heap misfortune on these people, then gradually these undefined somatic disorders will become purely somatic ones such as heart attacks, strokes or stomach ulcers.

[Velikanova] The state of public morals leaves something to be desired. What is the behavior of illnesses that are directly linked to disregard for basic moral principles?

[Kiselev] The increase in venereal disease cases is rapid, something unprecedented in a number of decades. In 1993 alone 1.5 times more syphilis cases were discovered than the year before, and gonorrhea cases were up by 34.5

percent. Between July 1993 and 1 January 1994 the number of people infected with HIV increased by 18.5 percent.

[Velikanova] How many in all? In round numbers.

[Kiselev] Not many. We are measuring in hundreds, not thousands, but the increase is steady.

Allow me to point out that there has been an increase (by factors of two or three) in the number of syphilis cases among children and teenagers. Among boys in the under 14 age group it is up by 100 percent, among girls by 175 percent. In the age 15-17 group these figures are 183.3 percent for boys and 186.7 percent for girls, and in the 18-19 group there has been a 183.2 percent increase among men and a 162.8 percent increase among women.

[Velikanova] Recently I wrote an article about how early school children and teenagers are becoming sexually active. Girls do not know how to protect themselves, so they have abortions and become disabled.

[Kiselev] Figures indicate that 7-12 percent of girls and young women exhibit reproductive system pathology. Gynecological diseases are found in one schoolgirl in 12, and in one vocational-technical school student in seven.

Naturally none of this is a coincidence. Surveys indicate that one young woman in three who has had sexual relations has become pregnant, and the ratio of births to abortions among this group is 1:5, i.e. 2.5 times higher than the average for women in all age groups. More than one-half of all teenage girls have had complications after their first abortion.

[Velikanova] And the pregnancies themselves, insofar as I am aware, are often accompanied by complications, among adult women as well.

[Kiselev] Research indicates that between 40 and 60 percent of women have a gynecological pathology during their most active reproductive age. In comparison with 1985, diseases of the urogenital organs in pregnant women have increased by a factor of 2.3, cases of toxemia by a factor of 1.9, and cases of anemia by a factor of 4.5.

[Velikanova] The reason?

[Kiselev] There are many, but the main one is a lack of adequate nutrition. Vitamin deficiency is experienced by between one-third and two-thirds of all expectant mothers in various regions of the country.

[Velikanova] Is delivery-related pathology a common occurrence?

[Kiselev] Fewer than one-half (45.3 percent) of births are normal. Since 1985 the disease rate among newborns has increased by a factor of 2.4. With increasing frequency we are seeing infant pathologies that could cause chronic illness at later ages.

[Velikanova] And that despite a much lower birthrate. Unhealthy mothers, sick children... What does that mean?

[Kiselev] Unfortunately death is no rarity among our small number of women who do deliver, either. In any case, our rate is 15 times higher than in the developed countries.

[Velikanova] Have the causes been analyzed systematically?

[Kiselev] Studies indicate that 84 percent of all mortality cases among expectant mothers could have been prevented. More than one-third of these deaths occurred at medical facilities that were unable to provide specialized assistance in emergency delivery situations. And one out of four deaths of an expectant mother results from abortion.

[Velikanova] You could say that there is not a single civilized country that employs this barbaric method to get rid of unwanted children.

[Kiselev] In Russia 65.3 percent of all pregnancies are terminated by abortion. Modern contraceptive methods are not available to a majority of Russian women, and two-thirds of young Russian women who get married are not informed about modern contraceptive methods and are not prepared for safe sexual relations.

[Velikanova] So it looks like living is becoming life-threatening. Like in wartime, men, women and children are dying sooner than they should. Is this particularly true of the elderly and the disabled?

[Kiselev] There are some interesting figures on that. Over a five-year period, between 1988 and 1992, the number of disabled persons in Russia increased by 70 percent, and over the past two or three years there has been a sharp increase in their absolute numbers. Researchers have noticed that this is especially true in regions where a critical situation exists in the labor market. This is in part due to the fact that with massive unemployment a disability pension becomes the sole source of income.

Whereas five years ago the overwhelming majority of disabled persons tried to be classified as Group 3 so as not to lose their jobs, now we see the opposite: disabled persons in marginal cases are attempting to fall into Group 2. Thus we are encountering a phenomenon known in Western literature as "the economic disabled."

[Velikanova] Alcoholics and drug addicts—are these also a kind of disabled person, the price of the crisis?

[Kiselev] Yes, the stresses that have become somewhat normal in our lives are rapidly increasing the prevalence of both alcoholism and drug addiction in society and are provoking widespread anti-social behavior. In 1993, in comparison to the previous year, there were 40.8 percent more people under observation by psychiatric clinics under the category of alcoholism and alcoholic psychoses, and alcoholic psychoses alone were up by 141 percent for the year.

The prevalence of alcoholism is roughly equal in cities and rural areas, at 311 and 301.8 people per 100,000, respectively. I would like to highlight one figure: in one year alcoholism among women increased by 48.1 percent.

The drug addiction situation is even worse. There were 83 percent more drug addicts in 1993 than in 1992.

A few words about the younger generation. It could be said that in recent years alcohol use by teenager, boys age 15-17, has become massive in nature. More than four-fifths of all minors consume alcoholic beverages—from 72 to 92 percent. And one in four of them drinks frequently. Another

thing is that girls are drinking more frequently and in greater quantity than boys. The prevalence of alcoholism among girls is between 80 and 94 percent...

[Velikanova] So virtually all of them are drinking?

[Kiselev] ...of which 17 percent drink frequently. There have been reported cases of alcoholic psychoses in teenagers. In 1986 there were five such cases, and in 1993 there were 30. That means that in the near future we can expect, if things continue as they have, that approximately one-fourth of young men and 17 percent of young women will become patients of narcological clinics and will be lost to society as fully functional citizens.

Also irretrievably lost in the coming years will be the roughly 7 percent of our young men who are addicted to drugs. If you consider that each drug addict draws between five and ten more people into his or her circle, then the amount of lost people could be much greater. I repeat: if everything continues as it is.

As we can see, the socioeconomic crisis has fundamentally altered the public health picture. The scene is now dominated by various types of social pathology: tuberculosis, venereal diseases, mental disturbances, alcoholism, drug addiction, suicide and homicide. And as a consequence the disability and mortality structure is changing fundamentally as well. All these things indicate an extreme situation. And it will also take extreme measures to resolve it.

[Velikanova] It appears that we are all having to pay too high a price for the reforms that we also cannot do without. As I understand it, one of the main reasons for this can be found in the traditional Soviet socioeconomic policy that devalued human beings—their health, their ability to work, even their lives. This model, which assumed that people are worth little or simply nothing at all, is typical of countries in the third and fourth worlds, which our country has always been close to according to a majority of indices. In the civilized states human beings are valued very highly. When will we finally begin to move closer to those countries? Your scientific production association studies labor losses resulting from various diseases, mortality or early disability. The appearance of such a center is a good sign. But who among those in power makes use of your invaluable data?

[Kiselev] What is the value of a human being, and that human being's health and life? The answer to that question is in fact of primary importance in determining the state's socioeconomic strategy.

One model of the economic value of a human being was proposed in general terms by well-known demographer Boris Tsezarevich Uralis. The gist of it is that during the first segment of life (from 0 to age 18) a person merely consumes out of the social pot. Then that individual begins to work and fairly quickly repays the expenditures that were made on him or her (incidentally, those expenditures include not only food, clothing and school books, but also job creation).

After a human being has "paid for" himself or herself, over the rest of his or her life that human being multiplies roughly fourfold the amount that was spent on him or her by the state prior to working age. Then comes retirement age, when a person does not add anything to what has

already been produced, only spends. Usually this is no more than one-fourth of what he or she contributed or produced. So the state retains a net three-quarters. These three-quarters of what the average person contributes to the overall state purse go for everything: for the creation of industry, for military expenditures, for homes and roads, and for everything else, including health care.

[Velikanova] What if a person lives a long time and after retiring consumes more than one-fourth of what he or she has produced?

[Kiselev] A good question. By its nature this model is not humane, it is purely economic. For example, if a newborn human being has certain severe birth defects, then the state will spend less money on that person's period of study and no job will have to be created for him or her. Thus it would seem that that person would cost less than a healthy individual. However, it will be necessary to spend money on that individual for his or her entire life, while receiving nothing in return. On balance, a disabled person such as that takes a great deal of money out of the amount that was multiplied three times over by the average person. It would be profitable for him or her to die.

If a person gets sick in the middle of life, for instance is in an automobile accident and becomes disabled, then that means that that person has not produced as much as he or she should have, neither for himself or herself, nor for the common pot. That is, if a person has not done enough work, that person is a pure labor loss, has failed to meet the state's expectations, and moreover has begun to consume without producing anything. From an economic standpoint that person is of no benefit to the state, either.

That is the answer to your question: an ordinary retiree is also unprofitable when he or she takes his or her share too long or lives too long, so to speak.

[Velikanova] But this inhumane model becomes humane if one pays attention to human health, to ensuring that mothers bear healthy children and that people do not become disabled in the middle of their lives, and to ensuring that the state's treasury is fed by the productive labor of every person who is born. People require investment—that is what the model is getting at—and that investment will pay off for the state a hundredfold. Is that correct?

[Kiselev] Absolutely correct. A model of the economic value of a human being lies (or should lie) at the foundation of the state's entire social policy. All social measures are founded upon that economic model as something like humanistic amendments, which in the end have positive economic effects.

[Velikanova] Does that mean that it is profitable to invest money in people's health? An early grave costs the state dearly.

[Kiselev] Of course. It is profitable to prevent disability and mortality and take all possible measures to reduce accidental labor losses. Americans invest billions in that, and the return is even more billions.

When one of the leading experts at our association calculated labor losses due to deaths, our perceptions of what

diseases need to be dealt with as top priorities changed fundamentally. It turned out that acute respiratory ailments, which a majority of people do not consider a disease, are responsible for more mortality than heart attacks, for example.

[Velikanova] Well, what is the number one cause of death, disability and disease?

[Kiselev] The economic crisis. It causes changes in society's structure of disease and disability incidence, as well as an excessive mortality rate. The authorities and the president should be aware of that. We must not build a new society using the old Bolshevik methods—at the expense of people.

(Percentages)	
Injuries, poisoning and homicide (i.e. external causes)	46.7
Diseases of the circulatory system	10.4
Diseases during the first month of life	9.0
Tumors	7.1
Pulmonary disease	6.1
Congenital defects	5.5
Infectious diseases	3.7
Conditions not clearly indicated	3.7
Other diseases	2.7

Number of Individuals Classified as Disabled	
Year	Number per 10,000 Population
1985	49.8
1986	46.5
1987	46.6
1988	44.8
1989	46.1
1990	51.7
1991	61.0
1992	75.7
1993	77.8

Incidence of Active Tuberculosis in Russia	
Year	Number of Cases per 100,000 Population
1985	45.1
1986	43.6
1987	42.4
1988	40.7
1989	37.6
1990	34.2
1991	34.0
1992	35.8
1993	42.9

State Statistics Committee Reports Unemployment Rate*944F1240B Moscow SEGODNYA in Russian 9 Aug 94 p 2*

[Unattributed ITAR-TASS report under the rubric "Statistics": "More Than Half of Working Russians Are Employed in the Private Economy. 6 Percent of the Active Population Could Be Declared Unemployed"]

[Text] According to data of Goskomstat [State Statistics Committee], half of Russia's population, 74.8 million people, made up the economically active proportion of citizens in June. And the number of people employed according to the methodology of the World Labor Organization was 94 percent of the economically active population, while 4.5 million people did not have jobs but were actively looking for them, which allows us to define these citizens as unemployed according to international standards.

Nevertheless, according to Goskomstat information, roughly the same number, about 6 percent of the economically active citizens, "were compelled to work on an incomplete work week system or were on vacation without pay or with partial pay." These data gave state statistical organs reason to assert that the "total potential unemployment is 9.0 million people, or 12 percent of the economically active population." Whereas the 1.2 million unemployed officially registered in the organs of the state employment service constitute 1.6 percent of the economically active population. In this way, the formation of a free labor market continues to be affected negatively not only by the difficulty of moving to a different place of residence in search of work, but also by the desire of the management of state and joint stock enterprises to avoid effective reductions in the number of employed people, as well as the unwillingness of people who have lost their jobs or—if they are lucky—steady earnings to change their social status and appeal to the employment organs. At the same time, however, it appears that the potential for creating new jobs is increasing in some sectors of the economy, in particular trade and the services sphere.

The nonstate sector of the economy accounts for more than half of all employed persons. "Non-hired labor" makes up one-tenth of employed persons. They include private farmers, owners and co-owners of private enterprises, persons working on an individual basis, and unpaid workers in family enterprises. During the period since the start of the year, their numbers have increased by one-quarter. Men predominate among non-hired labor—62 percent. A downward trend in the employment of women has been noted. Women constitute 49 percent of the total number of employed persons, while they were 51 percent in 1990.

The secondary employment of the population is rising. Its total number at this time is estimated to be 8 million people, and of them about 4 million people have secondary employment on a permanent basis.

The number of small enterprises registered reached almost 1 million. More than 9 million people work in them as their primary employment, which constitutes about 15 percent of the total number of working people in enterprises, institutions, and organizations. And while in industry and science

the number of persons employed in small enterprises corresponds to the average proportion for the country, the proportion of people working in small enterprises of trade, public catering, and construction comes to 40 percent. Of all people employed in the sphere of general commercial activity, 93 percent work in small enterprises.

Soskovets Cartel Agreement Critiqued*944F1240A Moscow SEGODNYA in Russian 9 Aug 94 p 1*

[Article by Mikhail Leontyev: "Cartel Conspiracy Against the Russian Economy"]

[Text] As a result of a discussion of the problem of nonpayments in the government, Mr. Soskovets gave instructions to prepare a "cartel agreement" freezing prices in industry. Our uninspired theoreticians of economic liberalism know in advance that all the same nothing will come of this beloved idea of the Civic Union. They assume that it is clear even to an imbecile that given the officially planned inflation rate of 80 percent a year, it is altogether impossible to freeze any prices at all. And they are wrong. Because this system is already working.

It seems wise to direct attention to a phenomenon like, for example, the expanding Russian exports of metal. And this is while domestic metallurgy is completely inefficient from the standpoint of real costs: too energy-intensive, too low-quality, and so forth. The point is exactly that prices for domestic metal do not have anything to do with real costs. The first vice premier Mr. Soskovets personally prohibited demanding prepayment from metallurgists for energy and raw materials. Other than the obvious market factors and the sharply dropping domestic prices for energy media, nonpayments are the most important form of minimizing real costs in the processing industry. The struggle against nonpayments in Russia to a strong degree recalls the struggle against prostitution in Thailand—it is a very popular topic for political big talk, but there is a complete and conscious lack of any desire to take any real steps.

The tax system plus nonpayments plus price regulation results in a situation where production of oil in Russia is absolutely unprofitable if its prime cost is more than 15 percent of the world price.

"Cartel appeasers" simply shift resources from the profitable and exportable TEK [fuel and energy complex] to the unprofitable processing industry, which is the main reason for the supposedly inevitable budget deficit and the supposedly "minimum necessary inflation rate" of 5 percent a month. The sad fact is that the Soviet processing industry for the most part was always and remains a sphere of consumption rather than a sphere of production. The entire Russian economy clings "to the pipe," and the desire of industrial parasites to saw up this pipe is perfectly suicidal. The public agreement of this "gang of sectorial lobbyists" to freeze their own exorbitantly low prices is typical of the present Russian establishment. Supporting private personal and group interests to the detriment of national interests has become the norm of behavior of departmental bosses. If this not very wise idea continues to

be seriously discussed at meetings of the Russian government, it will be more evidence of the political powerlessness of Premier Chernomyrdin's grouping, which inspires misgivings about their ability to defend Russia's real national interests, which in this case coincide with the interests of the fuel and energy complex.

Fuel, Energy Collegium on Branch Status, Goals

944E1141A Moscow NEFTYANIK in Russian
No 4-5, Apr-May 94 pp 2-3

[Unattributed article from the Information-Analytical Agency InfoTEK, information issue No 11-M: Ministry of Fuel and Energy of the Russian Federation, 1994: "An Expanded Meeting of the Collegium of the Ministry of Fuel and Energy of the Russian Federation Was Held in Moscow on the Question 'On the Situation in the Branches of the Fuel and Energy Complex and Tasks for 1994'"]

[Text] Participating in the work of the collegium were Oleg Soskovets, first deputy prime minister of the Government of the Russian Federation, managers of the ministry, enterprises, and organizations of the fuel and energy complex and related branches, representatives of branch trade unions, and administrative heads of krais and oblasts of Russia.

Yuriy Shafranik, Minister of Fuel and Energy of Russia, presented a report.

As was noted in his report, the role and place of the fuel and energy complex in the economy of Russia in 1993 was characterized by the following figures:

- in the income part of the 1993 budget, the share of the fuel and energy complex was 38 percent, including 62 percent in income from industry;
- in the expenditure part of the budget, the share of the fuel and energy complex was just 6 percent and 1.2 percent when subsidies for coal are excluded;
- the share of the fuel and energy complex in the total volume of industrial production was 25 percent and in the export of output it was 50 percent.

In 1993, the production of primary fuel and energy resources declined by 6.8 percent in comparison with 1992. It was possible to accomplish the necessary deliveries of energy resources primarily through a lessening of their consumption in connection with a reduction of the volume of industrial production in Russia by 16.3 percent. At the same time, the decline in the branches of the fuel and energy complex reached a limit beyond which a further reduction of the production of energy resources may disrupt the functionally of vital systems of the economy and the population.

The production of petroleum with gas condensate declined by a total of 46.8 million tonnes in Russia in 1993, or by 11.7 percent, amounting to 354 million tonnes. The loss of petroleum-extracting capacities in connection with the exhaustion of the reserves of exploitable deposits was only 34 percent compensated by the introduction of new oil wells. The volume of production drilling declined by 10 percent. There was no increase in the number of wells in

operation despite the introduction of more than 75,000 new wells. The nonworking stock of wells increased by 1,400 over the year. Restrictions in the reception of oil in the system of main oil pipelines led to losses in its extraction estimated at 3.7 million tonnes.

Only 47 percent of the volume of geological exploration work for oil and gas in Russia accomplished in 1993 was financed.

The oil refineries of Russia received 224.4 million tonnes of petroleum, which is 33.4 million tonnes, or 13 percent, less than in 1992. The reduction of the volume of the refining of oil and of the production of petroleum products was basically caused by the insolvency of consumers and by difficulties with the exportation of finished output and with the sale of fuel oil. For the purpose of providing light petroleum products for the economy of Russia and in connection with the overstocking of Russian oil refineries in 1993, about 8 million tonnes of crude petroleum were placed in enterprises of Lithuania, Ukraine, and Belarus under the conditions of temporary export. According to preliminary information, only about 2 million tonnes in light petroleum products were returned to Russia from the refining of the indicated volume of oil.

The production of gas in 1993 declined by 23 billion cubic meters, or by 3.6 percent, and amounted to 617.4 billion cubic meters. The primary reason for the reduction in the production of gas was the decline by 27.7 billion cubic meters in deliveries to countries of the near abroad because of their insolvency. At the same time, the gas industry is working at its technological limit. Because of the critical financial situation, the deadlines for the construction of practically all of the most important facilities were not met, including at the very large Urengoy and Yamburg deposits, which in the near future may lead to a fall in the level of production.

The amount of coal mined in Russia was 306.2 million tonnes, which is 31.6 million tonnes, or 9.3 percent, less than in 1992. The mining of coal for coking thereby declined by 12.2 percent. Solvent demand for coal production declined after the freeing of prices for coal and a sharp increase in railroad rates.

Despite the significant decline in the economy of Russia, the production of electric power fell by only 5.5 percent in 1993. For Russia as a whole, 953 billion kilowatt-hours of electric power were produced.

A number of regions were forced to restrict and even cut off consumers. The construction of facilities planned to resolve the problems of chronic power-deficient regions is proceeding at an inadequate pace and with great delays.

According to preliminary information, deliveries of energy resources to consumers in Russia decreased by 5.7 percent in 1993, which was basically caused by a decline in the volumes of production and by the growing insolvency of consumers. Because of the untimely and inadequate allocation of credit resources, the work to accumulate seasonal reserves of fuel for the consumers of the Far East and Arkhangelsk and a number of other oblasts was disrupted.

The structure of deliveries of energy resources beyond the borders of Russia underwent significant changes. With a

total reduction of exports by 70.4 million tonnes of equivalent fuel, deliveries to the countries of the near abroad were reduced by 96.4 million tonnes of equivalent fuel, which made it possible to increase exports to more distant countries by 26 million tonnes of equivalent fuel.

An extremely difficult situation developed in the investment sphere of the fuel and energy complex. The volume of capital investments through all sources of financing in comparable prices decreased by more than half over the last five years, including by 27.8 percent in 1993 alone. Accordingly there was a sharp decline in the putting into operation of the most important production capacities and facilities in the social sphere. The putting into operation of energy capacities under the Ministry of Fuel and Energy of the Russian Federation declined from 5.03 million kilowatt-hours in 1988 to 1.41 million kilowatt-hours in 1993. In the coal and petroleum-extraction branches, new capacities being put into operation are one-third those that are being lost. All of this dictates a further decline in the extraction of coal and oil.

The main reason for the existing situation is the acute financial crisis in the branches of the fuel and energy complex. Not having the necessary funds, the enterprises of the complex are being forced to cut back their investment activity, cannot pay for the most important material resources necessary for the support of production processes, and are getting far behind in the payment of wages, exacerbating the social atmosphere in labor collectives.

The financial crisis in the branches of the fuel and energy complex is dictated by a number of factors. Budget appropriations, which formerly served as a basic source of financing, have been reduced dramatically and are not being fully replaced by the own and borrowed funds of enterprises on account of the rigid price, tax, and credit policy.

The significant increase in prices for energy resources in 1993 did not improve the financial situation of the enterprises of the fuel and energy complex, for it was exceeded by an increase in tax payments and prices for purchased material resources, work, and services of outside organizations.

The indebtedness of the consumers of Russia and the countries of the near abroad for energy resources delivered to them increased by a factor of 6.6 in 1993 and reached 11.6 trillion rubles.

Privatization and the formation of joint-stock companies in the branches of the fuel and energy complex took place on the basis of a concept worked out by the Ministry of Fuel and Energy of the Russian Federation and adopted in corresponding edicts from the president of the Russian Federation. Basically the conversion of the enterprises for electric power and the gas industry into joint-stock companies has been accomplished—the joint-stock companies "YeES Rossii" and "Gazprom" have been established. In the petroleum branch, the oil companies "LUKOyl," "YuKOS," and "Surgutneftegaz" and the joint-stock companies "Transneft" and "Transnefteprodukt" have been established. At the same time, until now the conversion of the enterprises for the provision of petroleum products has not yet begun. In the coal industry, only 65 percent of the

enterprises have been converted into joint-stock companies. Questions in the conversion of the enterprises of the complex located in the territories of Tatarstan, Chechnya, the Republic of Komi, and a number of other oblasts have not been resolved.

Development of foreign economic activity. Agreements with the International Bank for Reconstruction and Development on a petroleum rehabilitation loan in the amount of \$610 million and with the European Bank for Reconstruction and Development (EBRD) on a loan of \$174.3 million went into effect. Agreements were signed with the EBRD for \$300 million and with the Export Import Bank of the United States for \$2 billion in credits for the oil and gas industry. Their utilization, however, is linked with the allocation of additional quotas for the export of oil to meet credit obligations.

In 1993, 37 joint ventures produced and exported oil from Russia. They exported oil in the amount of more than \$1.2 billion, whereas the total investments of foreign partners did not exceed \$230 million. There are 45 joint ventures registered in the oil refining industry. The volume of capital investments amounted to \$25 million, whereas the export of petroleum products will exceed \$500 million in 1994.

The share of Russian partners in the charter funds of joint ventures is substantially reduced as a result of an assessment of transferable fixed capital, infrastructure, and geologic or other information that does not correspond to international practice. The proceeds from oil and petroleum products sold are returned to Russia for reinvestment in insignificant amounts.

The basic tasks of the ministry in 1994 include the consistent realization of the adopted Program for the Stabilization of the Fuel and Energy Complex, which involves the resolution of the following problems:

- elimination of the crisis of nonpayment;
- formation of a package of legislative and normative documents establishing a legal basis for the stable functioning of the branches of the fuel and energy complex under the conditions of the market economy;
- establishment of a legislative and normative basis for the conversion of all branches of the economy to an energy-saving course of development;
- establishment of economic mechanisms to motivate enterprises to raise the efficiency of production, to make rational use of funds for the payment of labor, and to invest in the development of production;
- provision of an effective and qualified management of the federal property of enterprises of the fuel and energy complex and monitoring of the conditions provided by licenses for the right to develop deposits;
- conclusion of conversion to joint-stock companies and structural organization in the branches of the fuel and energy complex;
- improvement of price, tax, and credit policy taking into account the specific conditions of the fuel and energy complex;

- provision of close cooperation with regional agencies of executive authority;
- realization of the federal program "Fuel and Energy."

Coal Industry Economic Problems Highlighted

944E1133A Moscow *RABOCHAYA TRIBUNA* in Russian
12 Aug 94 p 4

[Article by N. Garkavenko, deputy general director of the Rosugol State Company: "Arguments in Defense of Bread Are Hardly Necessary"]

[Text] *Fundamental restructuring in Russian coal industry foresees renewal of production potential and preferential development of open-cut mining, coal preparation and machine building. The ultimate objective is to ensure coal's competitiveness in Russia's fuel and energy complex and in the foreign market, and to stabilize and, on this basis, raise the role of coal in fuel supply to the Russian national economy.*

In other words the "survivability" of coal industry and its further development under the conditions of transition to a market economy is a purely economic problem.

Today, Russian coal industry, as is true by the way of a number of other sectors, is confronted by a completely new situation. Priorities have shifted from growth of production volume to the need for adapting to the decline in coal mining in the presence of growing market prices and tight limits on state support.

Russian coal industry has been a subsidized sector for a long period of time. But this is the product not of the results of its economic activity but of the established procedures and practice of setting wholesale prices on fuel resources, under which coal prices have practically always remained below the outlays on its extraction. By the beginning of 1992 the ratio of the prices of coal, gas and oil (corrected to standard fuel units) was 1:1.2:1.4 respectively.

After multiple increases in the prices of fuel resources in 1992, the indicated ratio began to change significantly starting in 1993, when it was 1:1.6:7.2. The prices of gas and oil increased faster, which reflects to a certain degree their consumer properties, scarcity, and a discernible tendency to come closer to world prices. In this case the increase in state prices of coal in the last few years did not make the sector's work profitable. Now that the prices of coal and oil have been freed (gas prices remain fixed), the price ratio is 1:0.9:3.5.

Subsidized coal industry is typical of most coal mining countries with the exception of the USA, Australia and the Union of South Africa, where beds are being mined in exceptionally favorable mining and geological conditions. Subsidies for a tonne of coal in 1992-1993 were (in U.S. dollars) 13 in England, 70 in Germany, 98 in France and 20 in Spain.

In Russia, each year a subsidy is appropriated from the state budget to coal industry for the work of reproducing output capacities and reequipping production (making capital investments), to pay wages to miners on the basis of the rate schedule agreement, to cover the losses of some of

the enterprises, and to maintain the social sphere with the purpose of ensuring stable operation of coal industry. In 1993 R1.7 trillion were allocated for these purposes, or around \$5 for every tonne of commercial grade coal.

In 1992 the wholesale prices of coal were increased by more than 50 times. At the same time the prices of resources consumed by the sector were increased by larger amounts: metal—by 65 times, lumber—by 100 times, cabling—by 265 times, equipment—by 67 times etc. In this connection the part of the total amount of outlays on coal mining and processing covered by the wholesale price continually decreased, and by mid-1993 it fell to 15 percent; the remaining part (85 percent) was subsidized by the state out of the federal budget.

Thus state support transformed into the main source of funding of coal production, and wholesale prices of coal practically lost any relationship to the real outlays and the necessary profit. This sharply weakened the economic interest of the enterprises in stable deliveries of coal and in higher production effectiveness.

Under these conditions radical restructuring of the system for setting prices on coal products was required in order to ensure financial stabilization of the work of coal industry enterprises. In the opinion of coal industry specialists the most preferable and feasible variant was that of maintaining state controls on coal prices, coupled with increasing them by 2.5 times in the second half of 1993 and indexing them by 10-16 percent monthly thereafter, inasmuch as in this case inflation brought about by growth of coal prices would be minimized.

However, at the insistence of central economic bodies the government decided to free the prices of coal products as of 1 July 1993. In the third and fourth quarters of 1993 free prices exceeded wholesale prices effective prior to 1 July by 6-9 times, with abrupt variations from one region to another.

In connection with continuing inflation and gradual growth of outlays on coal mining, the central government is unable to compensate for the necessary outlays on coal mining, on reproducing output capacities and on solving social problems, even with free prices. In this case 13 out of 40 associations and independent enterprises and around 200 mines and pits (67 percent) are still operating at a loss.

Thus today and in the foreseeable future, state support of coal industry remains the decisive factor of stability of operation of the sector and its modernization.

The freeing of coal prices reduced the load on the state budget to a certain degree: Of the total outlays on coal mining, around 50 percent are compensated today by consumers (as compared to 15 percent prior to the transition to free prices). The adopted mechanism of state support of coal industry prices can operate effectively on the condition that funds are received promptly from the budget and from payments made by consumers for delivered coal.

What does analysis of the initial experience of introducing free prices show? The practice under which coal of the same quality is sold at prices differing by a factor of 1.5-2 in large coal regions (chiefly the Kuznetsk Basin) cannot be considered to be satisfactory. Certain associations and

enterprises enjoying better natural conditions are selling coal at unjustifiably low prices.

The reason for this situation is the absence of an effective mechanism of collecting excises and differentiated rents. Little use is made of the experience of a number of countries in concluding cartel agreements between coal producers and consumers that could regulate the system of prices at the sector and regional levels.

Improvements are required in the mechanism for providing state support: Systems of conditions that must be met by enterprises hoping for subsidies (reproduction of the work front, reequipment, growth of labor productivity etc.) have been developed. There are plans for providing financial support on a refundable basis.

Serious additional difficulties have arisen for coal miners (and other sectors as well) due to multiple growth of railroad shipping rates. This sharply narrowed the feasible zones of distribution of the most effective coal from the Kuznetsk and Kansk-Achinsk basins. Today's outlays to deliver this coal to the Northwest and Far East of Russia exceed the outlays to mine it by almost three times.

In our opinion (and we are submitting the corresponding proposal to the government), preferential transport rates must be established for products of the basic fuel sectors of the national economy in order to ensure stable operation of the numerous consumers of coal and other types of fuel.

The Rosugol Company prepared a proposal to exempt coal industry from land tax and subsoil use tax, to halve the amounts deducted for reproduction of the mineral and raw

material base (geological prospecting work), and to increase the standard for the amount of tax-free wages at the enterprises, and submitted it for examination to higher bodies.

Certain Russian specialists as well as experts of the World Bank have suggested that the role of coal in Russia's fuel and energy balance should grow significantly smaller in the future. I feel these estimates to be deeply mistaken. Arguments in defense of coal as a guarantee of the country's economic security are based on scientific research.

DELOVOY MIR Economic Statistics, 2 August

944E1136A Moscow DELOVOY MIR in Russian
10 Aug 94 p 4

[Survey prepared on the basis of data of the Russian Federation State Committee for State Statistics: "Socioeconomic Statistics as of 2 August"]

[Text] Prices of Consumer Goods and Services

In the period from 26 July to 2 August the price index of consumer goods and services was 101.2 percent, including 100.0 percent for foodstuffs, 101.1 percent for nonfood goods and 105.7 percent for paid services.

The greatest weekly increase in consumer prices was recorded in cities of Ural region (3.3 percent), while prices hardly changed in the Volga and Central Chernozem regions.

The price indexes for goods and services in the consumer market were:

	Percent of Previous Date				
	19 Jul	26 Jul	Aug 2	Average Daily Price Increase	
				August	July
Consumer goods and services	101.2	100.7	101.2	0.34	0.17
To include:					
Foodstuffs	100.8	100.4	100.0	0.00	0.11
Nonfood goods	101.0	100.8	101.1	0.25	0.13
Paid public services	103.1	101.3	105.7	2.30	0.45

Since the beginning of the year the prices of goods and services grew by 1.9 times, including 1.7 times for foodstuffs, 1.8 times for nonfood goods, and 4.6 times for services.

Food

In the period from 26 July to 2 August prices grew by 0.6 percent in organized trade and decreased by 4.2 percent in unorganized trade.

The change in prices over a week period in relation to the principal commodity groups is shown below:

	Percent		
	Total	Including:	
		In Organized Trade	In Unorganized Trade
All foodstuffs	100.0	100.6	95.8
Including:			
Meat and meat products	101.3	101.3	100.6
Fish and fish products	100.5	100.6	98.7

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(Continued)	Percent		
	Total	Including:	
		In Organized Trade	In Unorganized Trade
Dietary fats	100.1	100.1	101.0
Milk and dairy products	100.6	100.6	100.4
Eggs	100.5	100.5	101.4
Bread and bakery articles	102.3	102.3	101.7
Groats and macaroni articles	101.6	101.6	100.0
Vodka	100.2	100.2	98.8
Fruits and vegetables, including potatoes	95.8	97.5	93.2

In *organized trade*, there was a minimal increase in prices of meat, fish, cultured dairy products, eggs and vodka, and it did not exceed 1 percent. Flour and certain types of bread and bakery articles grew 2-2.8 percent more expensive over the week, sugar and salt grew 3.5-4.6 percent more expensive, and potatoes of the new harvest increased 9.5 percent in price. There was a 15-30 percent increase in prices of sugar in Cheboksary, Norilsk, Orel, Ulyanovsk and Novokuznetsk, and on bread and bakery articles in Arkhangelsk, St. Petersburg and Yekaterinburg. At the same time a 4-11 percent seasonal decline was noted in the prices of cabbage, onions, garlic and apples.

Since the beginning of the year the prices of bread and bakery articles and of milk and dairy products grew by 2.2-2.5 times, while prices of meat and meat products grew by 1.7 times.

The decrease in prices in *unorganized trade* was basically the result of cheapening of fruits and vegetables: the prices of cabbage, onions, garlic, carrots, beets and apples declined by 4-11 percent over the week. The weekly growth rate of prices of potatoes decreased significantly—2-7 percent as opposed to 8-13 percent in July.

The monthly cost of an assortment of 19 basic foodstuffs grew during the week by 2.0 percent to 63,400 rubles as of 2 August. The range of variation of the cost of this assortment in Russian cities under observation was 4.9 times (in late July it was 5.1 times). The minimum cost of the assortment was recorded in Orel (R38,600), while the maximum was recorded once again in Magadan (R188,400). In Moscow and St. Petersburg the assortment cost R70,900 and R70,000 on a monthly basis (the 32d and 36th places among the cities under observation).

Nonfood Goods

In the period from 26 July to 2 August the rate of growth of prices of nonfood goods remained insignificant. Growth of the prices of fuel typical for the beginning of the month was 104.8 percent for Russia as a whole, including 114 percent for coal and 126 percent for firewood. Fuel prices grew several times over in Tyumen, Volgograd, Gorno-Altaysk, Yekaterinburg and Lipetsk.

The rate of growth of prices of sewn and knitted articles, footwear, fabrics, and cultural and personal goods increased at a level of 0.6-1.4 percent per week.

Paid Public Services

In the past week the rates for paid public services grew most intensively. The greatest increases were in payments for housing and municipal services (by 10.6-14.3 percent in Russia as a whole), for use of a home telephone (10.3 percent) and for city bus rides (9.1 percent). The rate of growth of prices and rates for particular types of personal services increased somewhat in comparison with the end of July (2-3.5 percent). Payment for municipal housing grew significantly in Novgorod, Bryansk, Lipetsk and Taganrog, as did payment for city bus rides in cities of Moscow Oblast and in Ryazan, Ivanovo, Yaroslavl, Smolensk, Samara, Izhevsk and Novosibirsk.

The amount of apartment payments increased by 11 times since the beginning of the year, while hot water supply rates increased by 10 times. The rates of long-distance passenger train rides increased by 3.7 times, suburban train rates increased by 5 times, and city bus rates increased by 6.2 times. The cost of personal services grew by 2-4 times.

The Level of Saturation of the Consumer Goods Market

This year the consumer market gradually filled up. In July of this year the level of saturation of retail trade by goods was 88 percent, as in the preceding month, and it grew in comparison with last year's level by 24 percent. It increased in this same period by 33 percent for foodstuffs and by 10 percent for nonfood goods.

During the last 7 months the level of saturation of retail trade by foodstuffs such as beef, poultry, cooked sausage, animal and vegetable oil, milk, eggs and sugar remained high and stable (90-100 percent); the same was true for nonfood goods such as men's suits, trousers, shirts, socks, women's cotton dresses and robes, elastic pantyhose and children's pantyhose.

The consumer market is saturated to a lesser degree (58-74 percent) by cottage cheese, bread made from rye-wheat and top-grade wheat flour, and macaroni articles. At the same time the level of saturation of the market by these goods is increasing, as is evidenced by the following data:

	(Percent)						
	Saturation Factor						
	January	February	March	April	May	June	July
Cottage cheese	46	49	48	51	52	73	72
Bread made from rye-wheat flour	66	70	73	74	74	74	74
Bread made from top-grade wheat flour	51	60	55	56	58	57	58
Macaroni articles	60	57	58	70	62	65	65

The level of saturation remains low in relation to rye-wheat bread in East Siberian and Northern Caucasian regions (in July of this year it was 33 and 50 percent respectively); to bread made from top-grade wheat flour—in the Northern, Central Chernozem and East Siberian regions (20-50 percent); to macaroni articles—in the Northern, Central Chernozem and Volga-Vyatka regions (40-60 percent); to cottage cheese—in the Volga-Vyatka, Northern Caucasian and Eastern Siberian regions (40-67 percent).

Observance of Airplane and Long-Distance Passenger Train Schedules

In air transportation, in the first half of 1994 the number of completed flights decreased by 25 percent in comparison with the same period of last year in the face of an increase in rates and a decrease in travel demand.

In this case the proportion of airliners arriving late with respect to the total number of planned flights remained at the level of the first half of last year. The average late time decreased somewhat (from 3.7 hours to 3.0).

Observance of the schedule for arrivals of aircraft at their final destination in the first half of this year is characterized by the following data in relation to particular forms of travel:

	Number of Late Flights, Thousands	Proportion Arriving Late With Respect to Total Number of Planned Flights, %	Average Late Time, Hours
All forms of travel	48.9	20	30
Including:			
International	5.3	21	3.4
Domestic	21.0	24	3.1
Local	22.5	18	2.9

Enterprises under the control of the Kamchatka regional administration completed 44 percent of domestic flights an average of 5.5 hours late; those under the control of the Far Eastern regional administration completed 41 percent 6.2 hours late; the Vnukovskiye Avialinii Airline Company completed 37 percent 3.9 hours late.

In rail transportation provided by the Russian Ministry of Railways, 221,600 passenger trains (not counting suburban) reached their final destinations, which is 3.5 percent less than in the first half of 1993.

The proportion of late trains with respect to the total number of arrivals was 4 percent, as opposed to 7 percent in the corresponding period of last year. The average late time was 1.3 hours (it was 1.0 hours in the first half of 1993).

The largest proportion of late trains was observed on the Kaliningrad (32 percent of the total number of arrivals on

the railroad), North Caucasus and Moscow (8 percent each) railroads.

Trains arrived with the greatest late times at terminal stations of the East Siberian (average late time—2.1 hours), Baykal-Amur, Transbaykal (2.0 hours each), Northern (1.9 hours), Kemerovo and Far Eastern (1.8 hours each) and South Urals (1.7 hours) railroads.

Backlog of Freight Awaiting Rail Transportation

As of 1 July 1994 there were 50.6 million tonnes of products awaiting rail transportation at enterprises and railroad stations, to include 41.0 million tonnes at railside loading points of enterprises and stations, which was 0.8 percent more than as of 1 July 1993, and 1 percent more than as of 1 June 1994.

The backlog was the most significant in relation to the following types of freight:

	Million Tonnes	Percent of Corresponding Date of	
		Last Year	Previous Month
All freight	41.0	100.8	101
Including:			
Coal	15.0	120	96
Oil and petroleum products	1.2	83	116
Iron and manganese ore	3.2	104	100.6
Forest products	4.8	76	102
Construction materials	6.6	88	104

Over half of the undelivered coal in Russia was in Kemerovo Oblast, and 19 percent was in Rostov Oblast; 11 percent of undelivered forest products were in Tyumen Oblast, 9 percent each in Komi Republic and Kemerovo Oblast, 9 percent each in Arkhangelsk, Irkutsk and Vologda oblasts, and 6 percent each in the Karelian Republic, Krasnoyarsk Kray and Sverdlovsk Oblast; 16 percent of the undelivered construction materials were in Novosibirsk Oblast, 13 percent were in Sverdlovsk Oblast, 7 percent were in the city of St. Petersburg, and 5 percent each were in Kostroma and Kemerovo oblasts and the Republic of Bashkiriya; of undelivered iron and manganese ore, 48 percent was in Belgorod oblast, 16 percent was in Sverdlovsk Oblast, and 12 percent was in Kemerovo Oblast; of undelivered oil and petroleum products, 19 percent was in Perm Oblast, 17 percent was in Volgograd Oblast, 16 percent was in Irkutsk Oblast, 14 percent was in

Nizhniy Novgorod Oblast, and 13 percent was in the city of St. Petersburg; of undelivered chemical and mineral fertilizers, 39 percent was in Vladimir Oblast and 20 percent was in Murmansk Oblast.

Status of Road Building

The volume of road building in the Russian Federation decreased in recent years. While an average of 32,000 kilometers of motor roads were placed into operation in Russia annually in 1986-1990, the figure was 23,000 kilometers in 1992-1993.

In the first half of this year R1.5 trillion in capital investments were used to build roads, which is 8 percent of the total volume of production investments. The main source of funding is nonbudgetary investment funds. Placement of motor roads into operation decreased by almost three times in comparison with the corresponding period of last year:

	Placed Into Operation in First Half of 1994	Percent of First Half of 1993	For Reference: Placed Into Operation in	
			1993	1990
Paved motor roads—thousands of km	0.7	36	20.0	42.0
To include:				
Public	0.42	64	7.9	12.8
Including				
Federal	0.02	104	0.5	1.2
Local	0.4	63	7.4	11.6
Farm	0.33	24	11.6	28.3

Not a single kilometer of paved motor roads was built in the first half of this year in more than a third of the Russian Federation's territory. This includes Arkhangelsk, Murmansk, Tomsk, Tyumen, Chita and Sakhalin oblasts and Khabarovsk Kray, even though these regions occupy some of the last places in the Russian Federation in terms of road density.

Progress in fulfilling Decree No 12, 4 September 1991 of the government of the Russian Federation on developing the network of rural motor roads is characterized by the following data:

	Target for 1991-1995	Placed Into Operation in 1991 and First Half of 1994	Percent Target Fulfillment, 1991-1995
Paved motor roads—thousands of km	278.7	86.8	31
Including			
Local	66.8	22.9	34
Farm	211.9	63.9	30

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The targets of this decree are being fulfilled at an especially low level in Arkhangelsk, Vologda, Leningrad, Orel, Tula, Kursk and Kamchatka oblasts, Karelia, Tuva and Maritime Kray.

The total length of roads in the Russian Federation as of 1 January 1994 was over 9 million kilometers, almost 80 percent of which were paved roads. Over a third of the paved roads do not meet the technical norms for traffic intensity and loading of modern transportation resources.

Over 40 percent of the Russian Federation's rural population centers are not linked by paved roads to the network of public lines of communication.

The Work of Communication Enterprises

Development of communication resources in the first half of this year is characterized in the following table showing quantities placed into operation:

Zonal cable communication links, km	203
Radio relay communication links, km	206
Rural public telephone networks, thousands of numbers	11
City automatic telephone exchanges, thousands of numbers	128

As of 1 July 1994 596 out of 900 km of the land portion of the Russia-Korea link were built, including a 375 km fiber-optic communication route in the first half of this year. Seven kilometers of submarine cable were laid from Nakhodka.

Growth of the number of basic telephone instruments during this period was 196,200 (0.9 percent), including 276,500 (1.7 percent) installed in homes.

The length of long-distance telephone channels decreased somewhat (by 0.6 percent). The number of long-distance pay

phones decreased by 1,200 (by 4.6 percent), while the number of local pay phones decreased by 3,600 (by 2 percent).

In 6 months of this year communication enterprises of the Russian Ministry of Communications rendered services to the public and to the national economy amounting to R3 trillion, including R696.4 billion to the public (more in actual prices than in the first half of last year, correspondingly by 9 and 11 times).

At the same time the volume of communication services expressed in kind decreased due to the decline in the solvency of the public and enterprises, and worsening of the quality of services:

	First Half of 1994	
	Units Actually Sent, Thousands	Percent of First Half of 1993
Newspapers and magazines	3877	91
Regular and registered letters, postcards, printed matter	902	78
Parcels	14	85
Telegrams	51	72
Money orders	40	67
International postal exchange		
Written correspondence, kg		
Ground	752	60
Air	198	62
Parcels, units		
Ground	160	58
Air	21	155

The quantity of long-distance telephone calls decreased by 4 percent.

Subscriptions to periodicals continued to decrease.

	Million Copies		1 Jul 94 as Percent of 1 Jan 94
	1 Jan 94	1 Jul 94	
Periodicals			
Total	61.5	41.4	67
To include:			
Newspapers—total	43.8	31.8	73

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(Continued)	Million Copies		1 Jul 94 as Percent of 1 Jan 94
	1 Jan 94	1 Jul 94	
Including			
Central Russian	18.1	10.4	57
Local Russian	25.2	21.3	84
Of other states	0.5	0.1	20
Magazines—total	17.5	9.5	54
To include:			
Central Russian	16.5	8.8	53
Local Russian	0.7	0.4	57
Of other states	0.3	0.3	100

The quality of the work of communication enterprises is not improving. The quantity of complaints of faulty local telephone communication increased, the time it takes to correct damage to a city telephone network grew, errors in telegraph processing increased, and delivery of telegrams by prescribed deadlines worsened.

The time of newspaper delivery is increasing. In the first half of this year two-fifths of the copies of ROSSIYSKAYA GAZETA were delivered to subscribers on other than the publication date (a third in the first half of 1993). A survey of delivery times of written correspondence conducted in May of this year showed that most letters were received by

addressees on the 5th-6th day when sent between republican (kray, oblast) centers, a third of letters sent from Moscow to these regions were received on the 9th day and later, and 5 percent of all letters participating in the survey failed to reach addressees.

Average Wages in Sectors of the Economy

The average wage earned by workers in June of this year amounted to R207,500, increasing by 4.4 times in comparison with June of last year and 13 percent in comparison with May of this year, and consumer prices of goods and services grew by 5.1 times and 4.8 percent respectively.

	Average Monthly Wage			
	Thousands of Rubles		First Half of 1994 With Respect to First Half of 1993	June With Respect to May (%)
	First Half-Year	Including June		
Total	167.7	207.5	5.7	113
To include:				
Industry	177.0	214.4	5.5	111
Agriculture	75.9	100.7	4.7	115
Construction	224.2	297.8	5.9	121
Transportation	266.7	315.0	6.5	105
Housing and municipal services				
Nonproductive forms of public personal services	187.7	225.1	6.7	109
Public health, physical culture and social welfare	135.7	161.5	5.6	112
Education	131.0	164.5	5.3	118
To include:				
Higher educational institutions	151.2	224.3	5.6	134
Secondary special educational institutions	141.8	192.8	5.1	135
Schools of general education and child rearing institutions	126.3	153.5	5.3	113
Culture and the arts	113.3	132.8	5.3	110
Science and scientific services	127.4	161.1	6.5	114
Loans and insurance	342.7	390.2	5.7	117
Staffs of administrative bodies	220.7	274.6	5.7	114

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Social payments expressed per worker were R23,000 in June of this year, and in comparison with May they increased by 33 percent.

The distribution of the numbers of workers with respect to the pay they earned for June 1994 was calculated on the basis of materials from a selective survey carried out by the Russian State Committee for State Statistics at 75,400 enterprises employing 15.3 million persons (25 percent of the total number of workers at enterprises).

	Percent of Total Number of Workers
Total workers	100
Including in relation to wages earned (rubles):	
Less than 25000	[omitted]
25000-50000	9.7
50001-100000	[omitted]
100001-150000	16.2
150001-200000	13.5
200001-300000	16.7
300001-400000	10.3
400001-600000	8.1
600001-800000	3.5
800001-1000000	1.5
1000001-1400000	0.8
1400001-1800000	0.4
1800001-2200000	0.1
Over 2200000	0.1

Approximately 10 percent of workers had wages above R500,000 in June. They are credited with a third of the total amount of resources used to pay wages.

Half of the workers received wages of R165,000 or less. One out of every four workers received wages below the subsistence minimum.

In fuel industry and electric power engineering, around 50 percent of workers received wages 1.5 or more times above the Russian average, while in transportation, construction and banking activity 40 percent of workers did so.

Cities Recognized to Be Absolute Leaders (as of 2 Aug 94) With Regard for City Market Prices				
Representative Commodity	City	Minimum Price Per Unit of Commodity (rubles, kopecks)	City	Maximum Price Per Unit of Commodity (rubles, kopecks)
Foodstuffs				
Category I beef	Ulyanovsk	1355.17	Syktyvkar	10794.74
Poultry	Gornyyak	2100.00	Yakutsk	6384.00
Grade I cooked sausage	Smolensk	2796.00	Yakutsk	14570.00
Grade I partially cured sausage	Novyy Oskop	4500.00	Yakutsk	20550.00
Animal oil	Ulyanovsk	1473.10	Yakutsk	6636.00
Vegetable oil	Ulyanovsk	800.00	Magadan	4033.00
Pasteurized milk, 1.5-3.5% fat	Orel	191.99	Magadan	2387.00
Sour cream	Tula	1198.03	Magadan	15000.00
Hard rennet cheese (Poshekhonskiy, Rossiyskiy, Kostromskoy, Yaroslavskiy, Gollandskiy etc.)	Tamboy	3450.00	Yuzhno-Sakhalinsk	17250.00
Chicken eggs—price of ten	Ulyanovsk	613.60	Magadan	4540.00
Granulated sugar	Shebekino	650.00	Magadan	1738.00
Rye-wheat bread	Ulyanovsk	188.00	Yuzhno-Sakhalinsk	1594.00

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Cities Recognized to Be Absolute Leaders (as of 2 Aug 94) With Regard for City Market Prices (Continued)

Representative Commodity	City	Minimum Price Per Unit of Commodity (rubles, kopecks)	City	Maximum Price Per Unit of Commodity (rubles, kopecks)
Wheat bread made from 1st and 2d grade flour	Ulyanovsk	293.00	Magadan	1831.00
Milled millet	Novyy Urengoy	139.00	Yuzhno-Sakhalinsk	1400.00
Vermicelli made from top-grade wheat flour	Novyy Urengoy	315.00	Yuzhno-Sakhalinsk	4233.00
Potatoes	Obninsk	167.50	Magadan	3459.78
Fresh white cabbage	Makhachkala	454.55	Yakutsk	7785.71
Bulb onions	Blagoveshensk	800.00	Magadan	6458.33
Apples	Maykop	455.56	Yakutsk	8000.00
Industrial Goods				
Wool-blend two-piece suit	Novomoskovsk	47291.00	Nakhodka	220000.00
Women's high (or medium) heeled high-quality summer shoes with natural leather or leather-like rubber soles	Obninsk	18667.00	Angarsk	82500.00
Cotton fabrics (chintz, satin)	Barnaul	700.00	Norilsk	3500.00
Sofa bed	Orel	190448.33	Yuzhno-Sakhalinsk	765000.00
Russian-made analgesic	Kazan	143.00	Vorkuta	970.00
Floor-model refrigerator with semiautomatic defrosting (KSh-260)	Ishimbay	360000.00	Petropavlovsk-Kamchatskiy	1150000.00
Tobacco goods, price of one pack of filtered cigarettes	Kaluga	250.00	Vladivostok	1500.00
Services				
Woman's custom-made dress	Gornyyak	9754.00	Magadan	100000.00
Dry cleaning of coat, winter jacket	Tuapse	2170.00	Vorkuta	26700.00
Laundering and ironing underwear (per kilogram)	Nizhniy Tagil	190.00	Novyy Urengoy	3800.00
One bath (public room)	Prokopyevsk	100.00	Togliatti	5000.00
Repair of women's shoes (polyurethane heel tap)	Bryansk	1020.00	Khabarovsk	11700.00
One-way suburban bus ride	Kaluga	30.00	Yuzhno-Sakhalinsk	400.00
One-way suburban train ride up to 3-4 zones in distance	Stavropol	56.00	Sykt'yvkar	2750.00
Cost of a 100 km ride in a sleeping car of a public express train traveling to Moscow (divide cost of ticket to Moscow by distance)	Prokopyevsk	1119.00	Vladimir	5000.00
Cost of 1-minute long-distance telephone call	MIASS	170.67	Norilsk	2208.00
Monthly rate for a private (no party line) home telephone in a separate apartment, without discounts	Bryansk	700.00	Komsomolsk-on-Amur	20000.00
Hotel (one place in a two-person category 1 room in a class 1 hotel)	Orsk	4500.00	Yuzhno-Sakhalinsk	44000.00
Apartment charge for 1 square meter in homes of the municipal state housing pool	Yelets	0.08	Surgut	255.00
Fee for piped gas, per person residing in apartment with a gas range	Izhevsk	10.87	Yakutsk	864.00
Fee for hot water supply per person in an apartment with all conveniences	Tayshet	3.36	Magadan	2500.00
Day-care center (one child-day)	Vladikavkaz	160.00	Norilsk	3333.00
Initial doctor's visit	Makhachkala	200	Izhevsk	16000.00
Trade-union sanatorium (one bed-day)	Murmansk	8500.00	Yuzhno-Sakhalinsk	70833.00
Notarization of a will in a notary office	Salekhard	14620.00	Tuapse	41500.00

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Duma Official on Bank Legislation, Taxes

944E1129A Moscow *TORGOVAYA GAZETA* in Russian
4 Aug 94 p 2

[Article by Mikhail Zadornov, chairman of the State Duma Committee on the Budget, Taxes, Banks, and Finance: "The Laws Must Operate Directly"]

[Text] If we speak of the principles which guided our committee in its work on banking legislation as well as tax and budget legislation, I would say the main one is this: all newly prepared laws must be direct-action laws. That is, the actual texts of the laws must be written in such a way that they contain exhaustive interpretations and do not allow any possibility of re-interpretation of the specific points by instructions of the State Tax Service, letters of the Central Bank of Russia, or other subordinate enactments. It is precisely the direct-action norms included in the laws that make it possible for all subjects of economic activity to feel much more confident of themselves. To achieve this many things will have to be reworked.

The two primary laws operating in the banking sphere today, the Law on Banks and Banking Activity and the Law on the Central Bank of Russia, were adopted, as you recall, in 1990. Four years is simply a colossal time for a transitional period. Many norms are already obsolete and a whole number of additions are now necessary. Drafts of new laws have been prepared and were examined more than once by the Russian Supreme Soviet in its time, some even on second reading. But unfortunately, the president did not sign them. All the same, the significant preparatory work done then was not in vain. It provided a basis for our committee. And the orientation was absolutely clear—to establish and develop the institutions of a market economy.

The draft Law on Banks and Banking Activity preserves the structure of the existing law. In fact, some points of the law are modified and a number of major new points are introduced. The basic concepts of bank, credit institution, and banking operations are clarified.

We will insist that only banks have the right to carry on operations to attract personal deposits, whereas today anybody who wants to can do this. We prescribe a clearcut procedure for issuing and recalling licenses for banks and credit institutions. The measures by which the Central Bank of Russia influences the commercial banks in cases of their violation of the law are recorded. The concepts of "banking confidentiality" and "depositor's rights" are also put in concrete form. We tried to define clearly the rights of the parties, including the rights of the client, the bank, and their relations with the state. Clients must be guaranteed access to concrete information about the banking institutions with which they want to work.

The question of guaranteeing personal deposits is important. The creation of a personal deposit insurance fund, as has been done in many countries in the interests of small depositors, has been under discussion for some time. The text of the draft Law on Banks and Banking Activity does not yet contain the corresponding points. But we are going to work up this section for second reading. The principles of bank relations with the Central Bank are defined. The draft law adopted by the State Duma on first reading

introduces a special article on regulating the activity of foreign banks in Russian territory. We consider it wise during the transitional period—for the coming 5 years—to preserve certain restrictions on the activity of foreign banks in Russian territory.

Something which I regret is that the draft law still contains many reference norms on the activity of specialized banks, insuring deposits, and responsibility for timeliness in making payments. In the fall we hope to complete work on a number of new sections of the draft law.

The Law on the Central Bank of Russia, which was prepared by the subcommittee on Central Bank activity and money-credit policy, is essentially a new law and largely a direct-action law. According to the thinking of the authors, when it is introduced there will no longer be a need for many articles of the Charter of the Central Bank of Russia or numerous supplementary instructions of the Central Bank. The Law on the RF Monetary System is organically included in the draft law, and mutual relations of the Central Bank and the government and parliament of Russia are clearly defined. The new draft law is a significant step forward conceptually in defining the role of the Central Bank as an independent organ whose purpose is to support the stability of the ruble and the banking system as a whole and to regulate its activity, functions, and the nature of interrelations with commercial banks.

The list of those norms which the Central Bank itself has the right to set for commercial banks and the procedure for revising them are specially singled out. This is an example of implementation of the principle of direct-action legislation.

A special article lists the operations which the Central Bank of Russia can perform at the commission of the RF Government. The principle of restricting Central Bank participation in the capital of other banks, organizations, and enterprises is upheld.

The section of the law that regulates the procedures for the functioning and activities of administrative organs of the Bank of Russia aroused serious arguments. The text of the draft law which was adopted on first reading contains the following wording: at the proposal of the RF President the State Duma appoints a Council of Directors with 12 members. It includes the chairman of the Bank of Russia, his deputies, and also Council members chosen from "authoritative and experienced specialists in the fields of banking as well as economics and finance." In our view, the inclusion of these authoritative and fairly independent people in the membership of the Council of Directors will promote the adoption of more thoughtful decisions. The experience of the first contacts and mutual actions of the finance-budget committees of the State Duma and the Council of the Federation enable us to look to the future with optimism: in deciding questions of fundamental importance for the Russian economy we can find common points of view where we need them and reach compromises so that the work does not suffer.

The draft laws that have been prepared are just one of the steps toward changing Russia's economic legislation. For now we are responding only to some critical questions raised by experience, and eliminating only some of the contradictions. Recognizing this, I am not an advocate of

major changes in the banking sphere. This is a very delicate system and abrupt movements can cause harm. Changes need to ripen.

It is a different matter that we must see the future development of the banking system as a whole so that our movement, step by step, fits into the general conception. There is an idea of preparing a special Banking Code which could include solutions to many fundamental problems.

A certain conflict is taking shape, especially in recent months, with edicts coming from the president. It is as if two parallel blocks of legislation were forming: operating laws and edicts which sometimes conflict significantly with the laws—these very banking and tax laws or the Civil Code now under consideration. For our part, when preparing new draft laws to elaborate operating laws, we also enter into conflict with presidential edicts that have already been adopted. This conflict can hardly be considered normal. My point of view is that economic legislation is the prerogative of the legislative branch specifically, and no references to the burning need for changes should disturb this principle. The committee on the budget, taxes, banks, and finance is ready for extensive discussion of the draft laws adopted on first reading, in order to work up a number of basic points by October.

Caution Urged for Citizens Engaging in Currency Deals

944F1140A St. Petersburg NEVSKOYE VREMYA
in Russian 30 Jul 94 p 3

[Article by Boris Vishnevskiy: "Citizens, Surrender Your Currency!"]

[Text] The immortal call of Bulgakov's hero, it seems, continues to remain extremely timely in present-day Russia. Despite the fact that the signs "Obmen valyuty" or "Currency exchange" have long since become a commonplace part of the street scene and the dollar has certainly entered into our lives, all of us, as it turns out, "come under the article" of the Criminal Code: given the slightest mistake in the handling of "greenbacks" or other bank notes of foreign origin, it is extremely easy to find oneself behind bars.

The other day, the federal Law on the Insertion of Changes and Supplements into the UK [Criminal Code] and the UPK [Code of Criminal Procedure] of the RSFSR was published and went into effect. Henceforth, the infamous Article 88, which punished severely a "violation of the rules on currency transactions" and "speculation in foreign currency," is excluded from it. It is true, as the jurists say, over the last 2-3 years, this article was almost never used—the absurdity of criminal punishment for something which is a perfectly innocent activity throughout the entire world, had long been obvious and the arrival of foreign currency in our country had become inevitable with the onset of the economic reforms. Nevertheless, it is curious that the aforementioned rules, a deviation from which was prosecuted severely ... simply did not exist in nature (!) and, thus, by their "violation," the law-enforcement agencies could have in mind almost anything which suited them—even a shiny coin brought from abroad as a present for a child. But now, thank God, Article 88 has passed into oblivion. Yet, all the

same, as it turns out, it is still too early for the law-abiding Russian citizens to rejoice and to breathe easy.

In place of Article 88, the gallant legislators adopted (and the president signed without argument) another "punitive" article of the Criminal Code under the number 162-7. Henceforth, the "conducting of illegal transactions involving foreign currency by means of their buying or selling, exchange or use as a means of payment," as well as the "illegal storage, transportation or shipment of precious stones or precious metals in any form or state, with the exception of jewelry and everyday articles and scrap comprised of such articles," is punishable by a fine in the amount of 30 to 100 times the minimum wage or "imprisonment for a term of 5 years, with or without the confiscation of property" (a broad range, is it not?). Moreover, if the aforementioned criminal actions are committed "repeatedly or in advance collusion by a group of persons or on a large scale," the sky "will shine into a large cell now for a term of from 3 to 10 years plus the possible confiscation of property." By "large scale," the Criminal Code has in mind ... 50 times the minimum wage, or around 1 million rubles [R], or around US\$500 at the current exchange rate. Has their sense of reality finally really failed the legislators?

What is causing the alarm to be sounded? Just as before, not a word was said about what kinds of transactions involving currency or gems are considered to be legal. I personally do not know (professional jurists will probably agree with this) a SINGLE legislative, standard or lawful act which strictly defines what citizens are or are not permitted to do with foreign currency (incidentally, according to the constitution, any acts which infringe upon our rights and freedoms, are supposed to be, unconditionally, published, otherwise, they simply cannot be used). Under these conditions, there arises the obvious danger that the lawfulness of any transactions involving currency will begin to be determined by a specific employee of the law-enforcement agencies at his specific work place and within the limits of his own understanding. It is clear that it should not be like this in any instance! In acquiring at the exchange center (of which there are hundreds in the city) dollars, I have the right to know what else I can do with them. We take it as proper that dollars and marks have become "convertible currency," they are used to pay for purchases and given as gifts and, more and more often, they are being lent among acquaintances instead of rubles—under the conditions of inflation, this magnificently simplifies settlements, especially with long loan terms. Yes, we have gotten used to using "greenbacks" almost everywhere—and there is nothing bad in this, in my opinion. But, if Paragraph 7 of Article 162-7 is to be taken literally, then an attempt to loan a hundred or so dollars, if desired, can be classified as a criminal offence. The same applies to attempts to buy or sell for currency: an everyday event in our lives, but, as it turns out, a rather dangerous one.

And one more point which must be noted. As of this year, the former "currency" stores have substantially changed their operating procedure: even though they are indicating the prices for goods, as before, in dollars or marks, they must be paid for in rubles at the exchange rate. At the same time, however, a "little ruse" occurs: if you have the necessary amount in dollars, "without coming from the cashier," you will not be able to acquire the desired commodity by exchanging them immediately in the store: they

will take the currency from you at the buying exchange rate, but they require that you pay for the commodity at the selling exchange rate (for R40-50 more per dollar). Small change? But, for example, when tickets are purchased from the Israeli airline, El Al, with the tickets costing around \$400, the "surcharge" now amounts to around R20,000 for each ticket. So the streamlets of extra rubles gradually flow together into a heavy stream, which lightens our pockets, which are not very heavy as it is.

What is a law-abiding citizen to do? Attempts to make inquiries in the city's procuracy came to naught: there they are waiting for instructions and explanations from above and they report that the city court also has no official interpretation. However, it seems that official explanations are needed immediately—the innovations in the Criminal Code are in effect and, with each passing day, it is becoming more and more likely that the totally unsuspecting citizens, in one fine moment, may find themselves in jail, facing the pleasant prospect of a 10-year stay and the confiscation of property, all because they acquired ice-cream on the street for a dollar bill or some similar serious offence. Apparently, it will be easier to live if all the available currency is gotten rid of—as the saying goes, God takes care of the careful person. Besides, as Mikhail Bulgakov's hero used to say: "The country needs currency, but you do not need it for anything at all"....

Chernomyrdin Signs Decree Creating Labor Monitoring Service

944F1140A Moscow ROSSIYSKAYA GAZETA
in Russian 30 Jul 94 p 4

[Decree No 846 of the Russian Federation Government on the Organization of All-Russia Monitoring of the Social Labor Sphere, 18 Jul 94]

[Text] The Russian Federation [RF] Government decrees that:

1. Beginning as of 1995, all-Russia monitoring of the social labor sphere (hereinafter referred to as monitoring) shall be implemented as a state system for continuous observation of the progress of basic social labor processes for the prevention and elimination of negative tendencies.

It has been determined that the target of the monitoring shall be collectives of enterprises, institutions and organizations of all forms of property, regions, sectors of the economy and individual socio-demographic and occupational groups of the population.

2. The RF Ministry of Labor and the RF State Committee for Statistics shall be entrusted with the conducting of the monitoring, with the assistance of the RF Ministry of Economics, the RF Ministry of Social Security, the Russian Federal Employment Service, the Russian Federal Migration Service and other federal organs of executive authority, as well as other RF components, with their consent.
3. The RF Ministry of Labor and the RF State Committee for Statistics shall establish a common set of monitoring

indicators and shall, jointly with the interested federal organs of executive authority, determine its subset.

4. The RF Ministry of Labor and the RF State Committee for Statistics shall, with the assistance of the interested federal organs of executive authority, prior to 1 September 1994, submit to the RF Government for approval a State Program for All-Russia Monitoring of the Social Labor Sphere.

The RF Ministry of Finance and the RF Ministry of Labor shall determine the sources of funding for the aforementioned program.

[Signed] V. Chernomyrdin, Chairman of the RF Government.

Money Laundering Operations Viewed

944F1165B Moscow STOLITSA in Russian
No 24, Jun 94 pp 24-27

[Article based on foreign press materials by Eduard Dorozhkin: " 'Money Laundering': Theory and Practice"]

[Text] An extraordinary event took place in one of San Francisco's largest hotels several months ago. Arnold Batliner, an official of the hotel, who engaged in a unique business, retired on a pension at the age of 88. Money laundering was his specialty. Quotes have been omitted not by accident. At the very beginning of the 20th century, the manager of the San Francis Hotel noted that dirty coins soiled the white gloves of fashionable guests. A way out was found: All the coins entering the cash register were immediately put in a vessel with a caustic solution and were washed carefully. Sparkling dimes and quarters were returned to clients.

However, those were things of long past days. Today the word combination "to launder money" has only one meaning known to us. Its essence lies in investing illegally obtained money, through various maneuvers and combinations, in legal business or, at least, in hiding its source. Here are several examples:

Russia, summer of 1993. The Ministry of Internal Affairs reports that 40,000 Russian enterprises, both state and privatized, to some extent or another are "under the control" of organized crime. According to calculations by specialists, already at that time the turnover of shadow structures could exceed \$1 billion annually.

The United States of America, fall of 1993. In connection with the beginning of the investigation of the case concerning the introduction of the money of the Japanese mafia into the region of the Gulf of California, the Federal Bureau of Investigations announced that money "launderers," having taken advantage of the rush demand for real estate at the end of the 1980's, were able to legalize about \$1 billion, investing them in the infrastructure of the eastern coast of the United States at the most profitable section—between Las Vegas and Los Angeles.

Holland. Having conducted the most serious investigation, a group of international experts drew the following conclusion: In a country with a population of 15 million, the annual turnover of organized crime totals on the order of

30 to 35 billion francs. Drug smuggling alone gives 12 to 18 billion annually. In most cases this money is completely "laundered."

Each time these sums become bigger and bigger. Serious financiers are gripped by fear. Even the most arrogant European banks—as is well known, in Europe one does not like to wash his dirty linen in public—consider turning to the Interpol. They have every reason for this: "Laundering" laws have nothing in common with the principles of economic expediency. After all, even for the boldest legal entrepreneurs, the loss of 50 percent of the initial capital means disaster. However, for dealers in the shadow business, the "laundering" of even 50 percent is an unprecedented success. Therefore, nothing—neither the danger of "being exposed" nor the obviously risky nature of the enterprises started by them—stops drug smugglers, who keep boxes of "live" money in deeply hidden cellars. They are not afraid of glutting or, conversely, emptying the market—in their case any risk is justified. "For example, let us take the market of premises other than dwellings in large European metropolitan countries at the end of the 1980's," says the director of the department for the fight against money "laundering" of one of the largest banks. "The mass buying up of real estate, which was initiated and paid for by offices of a very dubious nature, at first produced an artificial boom, and then just as sharp a decline occurred. As a result, banks lost about 500 billion francs, and those that were smaller turned out to be completely on the verge of destruction." How much money is there in the world's "black cash box"? Probably, no one can give an accurate answer. However, according to the information of the Department of Financial Statistics of the International Monetary Fund, "on the order of \$700 billion to \$1 trillion, with an annual increase of \$80 billion to \$100 billion." In fact, in whose hands is all this underground investment mass? Recently, highly placed representatives of several banks operating in "offshore" zones, all at once, independently of each other, announced that some "special services," antigovernment formations in Third World countries, mafioso groupings, arms and drugs dealers, countries on which for some reason a trade embargo is imposed, and corrupted banks are the main holders of shadow capital. "Shadow" accumulations pose a serious danger to the world financial system, if only because one never knows how they will act the next moment and from what side to expect the next blow.

The situation became especially complicated after two new organizations came to the "launderers'" aid: the first (Belgian)—"Swift" (Society of International Interbank Telecommunications); the second (American)—"Chips" (Chamber for the Regulation of Systems of Interbank Payments). At present these private companies operate daily (!) with sums that often exceed \$1 trillion—transfer of payments at the speed of light, no restrictions on sums, and, at the same time, a complete lack of control over the remitter and the remitee. From the Stone Age, "launderers" right away jumped into the High-Tech Age.

The economic crisis raging since the early 1990's contributes to the reproduction of shadow capital even more. As soon as an enterprise gets into a difficult situation, there and then "well-wishers" appear with the proposal "to

settle everything" for a "small service." Usually the owner has no other way out but to agree. Gradually, the enterprise is fully dependent on criminal structures. Precisely this kind of "kindness" enabled Italian "camorre" and "cosa nostra" to get out of Campagna and Sicily and, subsequently, to make Italy's entire north their estate.

Practice

"The legalization of funds obtained from criminal activity is primarily a physical need," stresses one of the experts in the special department for the fight against money "laundering" established under the U.S. Department of Justice. "One million in \$20 denominations placed in a suitcase is a ridiculous amount for drug dealers, but it weighs 50 kg! Precisely such denominations figure in most street deals. The banknotes are much heavier than the drugs for which they have been paid. In other words, cash payment brings smugglers nothing but the jitters."

Occupation: "Launderer"

The expansion of the network of "laundries" specializing in money "laundering" and the permanent consolidation of the sums sent "to the wash" gave birth to a totally new occupation—that of a criminal financier. He finds his clients through the mediation of third parties: corrupted politicians, swindlers of every stripe, mere bandits, "investment counselors," and alleged lawyers... After receiving "dirty" money, "financial architects" deducting their percentage, send it through an "offshore" bank to the account of a fictitious organization and repeat this procedure in different versions several times—until traces become confused definitively and no one is able to establish from where, in fact, the initial sum was taken. Then the money is invested in the United States, Europe, or one of the developed Asian countries and is returned as income from a fully legal business.

[Boxed item: A total of \$460 billion—approximately such an amount of "dirty" money was "laundered" and invested in legal enterprises in 1993. This totals about 2.7 trillion francs—twice the annual budget of France. As before, drug trade is the main source of "dirty" money. The sum of the annual turnover in the sphere of the drug business is second only to the volumes of sales—legal and illegal—in the field of arms. Profits from the sale of oil and motor vehicles remain far behind. The amount of money "laundered" by drug dealers, which later was invested in enterprises in Western Europe and the United States, has increased to \$1 trillion in the last decade. End boxed item.]

Now "launderers" have to work under conditions of the fiercest competition. However, little by little "narrow" specialists appear. They are engaged only in one business, know it thoroughly, and therefore hardly make fools of themselves. Who are they? True professionals:

- smugglers, who transport large amounts of cash to "offshore" zones, where control over financial operations either has weakened or is absent;
- "money changers," who receive money in the currency of some country and then exchange and return it in another currency or in other denominations;

—owners of fictitious companies and "virtuosi" in electronic payments.

From serious and permanent clients the "launderer" usually takes a strictly fixed sum established once and for all for services. In most cases "laundering" is paid as follows: about 5 percent of the total amount when smuggling routes of transfer are used and 8 percent for transfer with the use of electronic systems. However, in connection with the universal toughening of control over banks' activities, which have especially affected the main zones of banking operations, at the present moment "launderers," who until recently conducted operations involving billions without special problems, more and more often are forced to turn to legal professionals of the financial and trade world for help. A vast fortune can be scraped together from "laundering," but the price of this money is excessively high. "Launderers," who work, for example, for Colombian drug kings, are responsible with their lives for seeing to it that the money on which they "work" goes safe and sound first to the United States and then returns to the Latin American cartel. Furthermore, they must keep the strictest secrecy: They are permitted to enlist only middlemen "clear" of legal penalties, and each time they have to use new routes for the transfer of money and to find an "individual approach" to every participant in an operation.

Laundry on a World Scale

Australia, spring of 1993. "Could you transfer \$10 million to Pakistan?" Having received such a tempting and, at the same time, suspicious offer, one of Sydney's banks considered it best to notify the police. Soon an entire enterprise, which for some time engaged in the legalization of money received from wholesale trade in 10 tonnes of Pakistani drugs, was uncovered. The sum was impressive—\$51 million. Official services will never see 41 million—seemingly, they no longer exist in nature. Money does not have the property of self-evaporation. In order to hide it, "launderers" resorted to the following "military ruses":

- Thirty-five million were shoved into machines for sea water purification, which were bought especially for further dispatch to Singapore. In Singapore any trace of this money was lost.
- A fictitious religious society in Australia, having received "charity gifts" in cash, then and there sent them abroad.
- A certain jewelry firm buys 3 million gold dollars and exports them to Hong Kong. The money received from resale is sent to the zones of the "financial paradise."

London, March of 1993. The British police quite unexpectedly uncover a new "black box" of shadow capital: Chechnya, a republic with an area of 19,000 square km, which is located in the very heart of the "Russian" Caucasus. One of the "envoys" of this self-proclaimed republic and his brother were found murdered. The investigation established that during the three months of their stay in London, brothers Ruslan and Nazarbek Utsiyev managed to establish a whole network of organizations engaged in the transfer of money from Russia (in particular, from Moscow and St. Petersburg), Poland, and Bulgaria to Western countries. London, Paris, Dublin, and Hamburg

were the main recipients of the money. Another part of the money went to tax-free zones—Guernsey, Nicosia, and British Virgin Islands. Even authoritative local mafiosi participated in the work of the "office" that the brothers Utsiyev opened in Philadelphia. All the "enterprises" opened by the brothers operate under an impenetrable electronic "roof": about 40 accounts in the most prestigious European and American banks, among which millions of U.S. dollars, German marks, Swiss francs, and pounds sterling circulate. And this despite the fact that everyone knows from where these Chechen "funds" have appeared and for what purposes they are intended.

New York, winter of 1993. A sharp increase in the total number of postal money orders forces the FBI to begin an investigation. Too late: Without a special fuss, sending every day \$100,000 by postal orders amounting to less than \$1,000 each, Colombian cartels "laundered" \$198 million as a minimum. The operation was carried out brilliantly—moreover, there was nothing especially complicated in it. Every day the drug dealers' agents sent hundreds of international postal orders to the accounts of 28 fictitious companies registered in Colombia as "medium-sized and small business enterprises." The names can be whatever you like; for example, Audio Central or Textile Universal. The largest sums were sent from New York, and smaller transfers, from Miami and Puerto Rico. Later all confirmations of postal orders were given to one of Panama's banks—more precisely, to the Panama affiliate of a Hong Kong bank. As luck would have it, all the "small and medium-sized" Colombian enterprises that participated in this business also had affiliates in the free trade zone in Panama.

Ultimately, the money "laundered" in this way was sent back—to Colombia. On the reverse side of the money orders that American police managed to uncover there is the same sign as on small cocaine packages. At present, postal services have found 800 similar receipts. The letter "E" on a shield, a smiling moon, a crab, and a swan—such are the symbols of the Colombian drug mafia.

The Ideal Instrument: A Bank

The concept of a pirate bank was invented by Jose Antonio Fernandez. Fernandez, one of the main importers of Colombian marijuana at the end of the 1970's, by means of a number of fictitious companies was able to put a small bank in Florida—State Shine [Shayn] Bank—under his control. It operated as a giant laundry until 1984.

Pirate banks, which open accounts for dubious offices and finance an obscure type of activity, operate in the zones of the "financial paradise" right now. However, this is not enough. Recently, stakes have been placed more and more often in countries with undeveloped financial traditions—in particular, the former Soviet republics. Here things sometimes are carried to the point of absurdity: In reality, a "bank" turns out to be only a mailbox.

The same applies to some countries of Eastern Europe. For example, a bank, the sole function of which was to transfer 145 billion "dirty" dollars from Hong Kong to Germany, was established in Poznan at the end of 1992. As soon as the operation was completed, the bank disappeared. "Accurately and rapidly conducted shadow transactions

have every chance of passing unnoticed," says one Wall Street financier. "An eternity will be needed to unearth at least one of them—especially if we take into consideration that to this day some operations still proceed legally. It becomes increasingly complicated to differentiate one from the other."

Bashkir Official's Murder Viewed

944F1165A Moscow OBSHCAYA GAZETA in Russian
No 28, 15 Jul 94 p 6

[Article by Natalya Boyarkina, special correspondent of OBSHCAYA GAZETA, Bashkortostan: "Murder on a Rayon Scale"]

[Text] The explosion occurred on 7:00 in the morning of 9 March 1994. The person for whom the grenade was intended opened the wicket gate with the usual movement. The handle on the wicket gate and the grenade pin were tied with a caprone thread. The blast threw him a meter and a half away. Death was instantaneous.

In the city of Dyurtyuli everyone knew him. He was Razil Musin, mayor and chief of the city administration and of Dyurtyulinskiy Rayon; deputy chairman of Bashkiria's [Bashkortostan's] Supreme Soviet.

Four days before his death, Musin came to a local state security worker and showed him anonymous letters that threatened him with murder.

The Victim's Personality

He was 50 years old. He worked as first secretary of the rayon party committee for 13 years. During those years, Dyurtyuli's economy flourished.

Both friend and foe note his one main characteristic: incredible energy. It turns out that he kept diaries, in which he entered the most diverse information, beginning with milk yields and popular weather signs and ending with a mini-dossier on those with whom he dealt.

People say that he held grudges about trivial details. They say that he took criticism very badly. However, who could severely criticize the first secretary during those years? This concerned the rayon as a whole.

Ten years ago I was in Dyurtyuli on a mission. Not even two hours passed before the first secretary was informed: A journalist "is digging" in the rayon. I was ordered to appear in the office of the rayon party committee. I decided not to respond to the "command." However, the chief, whom I intended to criticize severely, prevailed upon me.

In the office of the rayon party committee, the first secretary attacked me angrily: Who permitted you to write bad things about the rayon? In response, I slammed the door. According to logic, a "letter of complaint" to my work place should have followed next. However, logic did not work....

Several months later the first secretary came to Moscow on official business. He explained that he was intolerably hurt on account of his rayon.

First secretaries, sensing that the legs of the chair are beginning to give way, hastily move to another "make-shift" place. I do not know why Musin went to nowhere—director of a vocational and technical school, which did not exist. It still had to be built. "Cobweb" and "Abscess"—these were the headlines of the articles in SOVETSKAYA BASHKIRIYA on the situation in Dyurtyulinskiy Rayon. Musin was accused of bad character, of persecution for criticism, and of a personality cult. He was subjected to checks by the Ministry of Internal Affairs, the procuracy, and financial administrations. And what? Nothing. He did not take bribes. He did not steal. He did not pad reports. He did not cheat. He was clean.

Having been deprived of real power in the rayon, Musin remained deputy chairman of the republic's Supreme Soviet—on a voluntary basis, as everyone said. However, the fame of the rayon really diminished. A struggle for power was going on among the leadership of the small town. Chiefs replaced each other, but... nothing changed. Those whom Musin himself had invited to work from the neighboring rayon, whom he had nurtured and set up, ran the show.

Seemingly, he did not participate in the fight for the city, but once in a while he told his former comrades in arms: "Do not go too far. I will remember everything when I become the first secretary."

Soon Musin got the idea to open in the small town an affiliate of the largest Bashprombank in the republic. It was opened. Musin was appointed its manager. Businessmen and traders stood in line in the bank to see Musin.

Musin was again moving toward the Olympus of power. His long-standing authority began working in his favor. There was the opinion that he did not like businessmen. In fact, Musin was irritated by the breakdown of what he had built with his own hands at one time. He continued to keep his dossier. He knew who was making fortunes and how.

Basis for Hatred

By edict of Bashkiria's president, Musin was appointed head of the administration of the city of Dyurtyuli and of Dyurtyulinskiy Rayon. Yangirov, his predecessor at this post, became unemployed at once. Yangirov did not want to give up. Managers of several farms supported him. One-page leaflets spread over the city. They were written from the heart, but without any special brilliance of mind.

Investigation

In the course of the investigation, 53 people were taken into custody. Investigators constructed one of the murder versions on the basis of Musin's notes. They were ordinary current plans of an economic manager. However, for several influential persons in the city, these plans could have become a sentence. Investigators began their investigation with these people. At that time the murderer lay in the rayon hospital, receiving treatment for antritis.

Executor

A member of the special-purpose militia detachment (in the interest of the investigation, some family names are not

mentioned) from Ufa turned out to be he. He was a 29-year-old bachelor. He was brought up in a children's home in Dyurtyuli.

The member of the special-purpose militia detachment did not know Musin personally. He saw him for the first time several days before the murder. Older "comrades," whom the member of the special-purpose militia detachment trusted and respected, pointed him out. Investigators, as human beings, feel sorry for the lad. He himself is now surprised at why he did this. He is in a depressed state. He was not paid money for the murder, anyway. Nor did he ask for it.

Accomplices

Several months before the murder, the member of the special-purpose militia detachment became acquainted with a businessman from a local trade firm. Its money was replenished by two sources: a certain bank and a former kolkhoz. Through the firm, the bank and the kolkhoz found the future executor....

The banker was the first to feel the shaking of the ground under his feet. He was 23 years old when he became a bank manager. The recent student was awarded this honor not for special services to the small homeland. Simply, his father had also been a banker at one time. Musin was his father's friend. During the days of Musin's disgrace, like everyone else, the banker forgot to extend a helping hand to his godfather—even when Musin himself came to him for help. Sonny, he said, I am also becoming a banker, help me with clients. The banker refused. Musin swallowed the insult. However, as it seemed to the banker, he began to harbor feelings of revenge.

Motives

The banker remembered key phrases hurled by Musin in various situations. "It is time to investigate these businessmen. They have a tiny office, produce nothing, but have already bought a Volga for trips. Something is wrong here." "It is time to forbid state officials from engaging in trade. They have looted the rayon...." "Anyone who felt like it stuck his hands into the budget." "The entire commercial activity consists of buying and selling and collective drinking bouts. An end must be put to this."

These sayings led the banker to the thought that, having gained power, Musin would destroy his bank.

Part of his premonitions could be justified. The new administrator's work plans included a check on the bank's operation. The investigating brigade of Bashkiria's Ministry of Internal Affairs is conducting it now. Everything is not bad there, except for the lost 2 billion.

The banker discussed the situation with the chairman of the former kolkhoz and now a joint venture. Again, Musin put the seat of the chief under the chairman. After the withering away of Soviet power, the kolkhoz was reregistered into a joint venture, which was brilliant. The joint venture traded in machines, while budget infusions into the former kolkhoz were transformed into videos, video cameras, and refrigerators....

The city and rayon chief managed the pouring of the budget, for which, as a "kickback," he received his share of

household equipment. The chief himself was afraid to trade in machines, which his son did. He was the owner of a private enterprise.

The banker's report that Musin would strangle businessmen stuck in the son's soul like a painful splinter.

The thought about murdering Musin did not take long to ripen among the conspirators. The threats sent through the mail did not have an effect on him. One thing was left—to find an executor of the murder and the method.

The military council gave the director of one commercial center the assignment to find a murderer—for 200 million—so that greed would make it impossible for him to refuse. It was assumed that the banker would get the money.

The director was not in the least embarrassed by the assignment received. During the investigation he said that he could not refuse, because his office depended entirely on the banker and on the chairman's guardianship. Moreover, he was threatened: "If you betray us, you will not reach Ufa alive."

For the purchase of a machine gun the director first fleeced 1 million from the chairman. The son and the banker were willing to contribute 1 million each. The director lied to his companions, saying that he had sent a messenger to get the weapon. He put the millions, which he got for doing nothing, into business and paid his debts. The director shifted the assignment to find hirelings for 50 million in cash to the member of the special-purpose militia department.

The son kept watch on Musin's house. It was his idea to kill Musin directly at home. The apartment plan and a plan for withdrawal through a ravine were offered. The son had so much initiative that he also offered himself as a hireling. However, his initiative was not accepted. It seems that a simultaneous plan to eliminate the executor was ripening.

The member of the special-purpose militia department, who at first acted with bravado, soon realized that he would be unable to find anyone for the murder.

Perhaps only the murderer was tortured by his conscience, breaking the planned date of "elimination" more than once.

Weapon

The conspirators could no longer wait for the weapon, which should have been brought. At first they tested the director's gas pistol remade into a combat weapon in the forest. The bullet did not pierce even a polyethylene barrel. The chairman proposed two grenades, which he had received as a "gift," as the murder weapons.

The chairman had a personal grudge against Musin. An extraordinary event had occurred on the kolkhoz. A drunk tractor driver, having broken the gate, crushed a motor scooter and a Zhiguli in the chairman's yard. The tractor driver had his own reason to act like this with the chief's property. He was tired of waiting for his turn for a Zhiguli, but the chairman, instead of fulfilling his promise, blatantly traded in this Zhiguli, disregarding everything. The kolkhoz chairman had another version—an incredible one. Perhaps that is why it seemed like the truth to him. The

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local clairvoyant indicated that it was... Musin who "crushed the tiny Zhiguli of his brother's son with a tractor." With the tractor driver's hands, but with Musin's will. This is written in the chairman's own hand in his notes addressed to the investigator, which are entitled "I Am Going To Give Myself Up." They have many similar stylistic pearls, which give a complete idea of the mafioso's personality.

"At the age of under 50 I am deeply repentant. Throughout my adult life I have worked as a specialist manager. I ask you, respected investigators, to take my mistake and stupidity into consideration."

In general, the chairman was dissatisfied with many things in life; for example, with the Japanese, who manufacture defective videos. He had precisely such a video. No cassette would enter the opening—neither lengthwise nor crosswise. When the property was seized, the reason for the malfunction of the video tape recorder was clarified. It turned out to be a music center for compact discs.

"The conspiracy was at the level of a kolkhoz meeting," the investigators note.

One person incited against the other, but no one had real motives or reasons for revenge against Musin. Collective mental derangement. The majority would have also continued to steal under Musin as they used to. An army of checkers would be needed to investigate this hodgepodge of faked reports, while the work of commercial structures was paralyzed. In fact, this is now taking place in the city. Apart from the murder case, an investigation of many economic crimes is being conducted. Some took bribes of Volgas and got rich on embezzlements. Brand new private houses without owners were discovered in two new rayons, which were aptly nicknamed "Field of Miracles" and "The Rich Also Cry" by city dwellers. The latter rayon received such a nickname because 600, instead of the expected 1,500, hundredth parts of a hectare were allotted for the construction of every private palace. By edict of Bashkiria's president, 19 managers of enterprises, kolkhozes, schools, the militia, and the hospital were dismissed from their posts. Therefore, it turns out that not for nothing did Musin intend to introduce order in the city.

The investigation is coming to an end. Eleven citizens have been charged.

The crime, obviously, is directed against the authorities. However, businessmen cannot be charged with a terrorist act. The article of the existing Criminal Code punishes terrorism for the purpose of overthrowing power. Since there are no soviets, the murder is defined as ordinary. Not political. Provincial. Locally ordered. On account of friendship. Neighborly. Stupid, like all murders.

Academician Abalkin on Economic Situation in the First Half of 1994

944E1143A Moscow DELOVOY MIR in Russian
12 Aug 94 p 4

[Article by Leonid Abalkin, academician: "That Which Has Remained in the Shadows"]

[Text] The economic situation in Russia in the first half of 1994 is developing unpredictably. The decline in monthly rates of inflation to 5-6 percent staggers the imagination and is difficult to correlate with the scope of decline in production and growth of unemployment. Evidently, certain qualitatively new phenomena have emerged. Yet even the government of the RF [Russian Federation], in its meeting on 15 July, as well as the already experienced official commentators, have decided to ignore them. The slippage along the surface of events, the inability (or unwillingness?) to look into the depth of the processes which are going on have this time also played their negative role.

Nevertheless, in the last half a year there have been such serious deformations that to ignore them would be entirely inadmissible from a professional as well as from a political point of view.

I will deal with only two of what I consider to be the most principle questions.

"Revolution" in income

Data of the RF Goskomstat [Russian Federation State Committee on Statistics] report with epic calm that in the first half of the year the monetary income of the population comprised a volume of 129.4 trillion rubles (R). Of this, wages comprised R65.2 trillion, and their relative share in income of the population declined from 66.8 percent in the first half of 1993 to 50.4 percent in the first half of the current year. And there was not a word about the fact that this radically changes the entire structure of monetary income of the population! The amount of the so-called social transfers (pensions, subsidies, stipends, etc.) comprised R20 trillion, and their relative share in the income of the population was practically unchanged. However, R44.2 trillion comprised the income of the population "from entrepreneurial activity, profit-sharing in enterprises and organizations, operations with real property and credit-finance operations." In other words, this is the so-called "income from property," which exceeded 34 percent of all monetary income of the population.

It would seem that property owners in our country have not yet become full-fledged, but they are already raking in the income with a shovel. Perhaps we are rapidly approaching the so-called civilized countries with a market economy? In no way! In the USA the relative share of wages comprises 64.4 percent, while income from property and entrepreneurship comprises only 15.4 percent. In Great Britain, wages account for 65.1 percent, while income from property and rent is only 5.6 percent. In Germany the compensation to workers, including wages, comprises 57.9 percent, while the income from property and entrepreneurship is 22 percent. (Data prepared by a scientific associate at the RAN [Russian Academy of Sciences] Economics Institute, O. Lukashenko).

Thus, in just one year there has been such a "revolution" in income which has no analogs in world practice. The sharply diminished income from wages has significantly reduced the demand on goods of a current direction (food products, clothing, household services), and this explains the phenomenon of reduction in the rate of inflation.

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At the same time, the changes in the structure of monetary income have sharply shifted the demand for acquisition of expensive imports, goods and savings, primarily in the form of buying foreign currency. For this purpose alone, the "population" spent R14.9 trillion, or 11.5 percent of the received income, in the first half of 1994. According to the roughest estimates, the population, or rather a small circle of persons receiving income "from property," acquired around \$8 billion, which is approximately equal to an overall positive balance in foreign trade. Thus, the successes of foreign economic activity went certainly not to the state but, as they say, to private individuals.

It was specifically at this price that the relative reduction in inflation was achieved. Not to notice this is—nearsightedness or conscious calculation?

With such a "revolution" in income, all ordinary computations of average indicators become meaningless. The RF Goskomstat firmly fixes the growth of "real available monetary income of the population" in the first half of 1994 at 10 percent. However, if we turn to wages, they have grown, according to official data, from R130,000 in December of 1993 to R200,000 in June of 1994, i.e., by 53 percent. During this same time, the summary index of consumer prices rose by 72.2, which testifies to a continued reduction in the real wage.

This is but one more paradox of the "revolution" in income, which is fraught with the most serious social consequences.

De-industrialization

Another question which cannot help but evoke alarm is the intensifying process of de-industrialization of Russia which threatens to become irreversible, the disintegration of its industrial and scientific-technical potential. Let us begin, once again, with the official data, which are again reported by the RF Goskomstat with epic calm:

GNP [gross national produce] of Russia in percent of GNP of the USA:

1990.....	23.0
1991.....	20.3
1992.....	16.1
1993.....	13.6

The presented data, as they say, speak for themselves. In the first half of 1994, the GNP of Russia declined by another 17 percent, and if we take its volume in the USA as being unchanged, then today we will have slightly over 11 percent.

Industrial production in Russia in 1993 comprised (according to the roughest estimates) around 60 percent of the pre-crisis level. In the first half of this year, it declined by another 26 percent and today comprises around 45 percent of what we had. The most intensive reduction took place in machine building (especially in the scientific-intensive sectors), the chemical, petrochemical and light industry. Today we obviously have what is certainly not a structural crisis, but an avalanche decline in production, which threatens complete and irreversible displacement of domestic producers from the domestic market.

We may often encounter rather primitive discussions, taken from popular texts, about the fact that all this is called upon to revitalize the economy, to free it from "ballast," and to give strong and competitive enterprises the opportunity to survive. The question arises: What prevails in this—naivete or conscious calculation?

A modern highly technical enterprise cannot arise in an empty place. Experience shows that for its creation (if we start from zero), a minimum of 20-25 years is required for formulation of high technological culture, professional cadres, and current structure of management. Can it be that we once again want to destroy all "to its foundation," and create everything anew? And this in the current world of fierce competition? It seems we really often do not know what we are doing.

To destroy and lose the potential which has been created in Russia means to place it in the rank of second-rate, economically dependant countries for a long time, and maybe even forever. Perhaps no one wants this. But such, alas, is the logic of events.

To this we should add the destruction of the highly skilled production and scientific-technical collectives which had been created, the massive "brain drain" from Russia, the dangerous destruction of the VPK [military-industrial complex] and its intellectual nucleus. Today it is fashionable to speak about the fact that, supposedly, no one is going to attack us. Let us suppose that is so. But with such an approach, the curtailment of the military-industrial potentials should take place at least in a synchronous manner. Yet this is not so for the present.

These comments have consciously avoided questions of the radical change in the course of economic policy, the development of clearly oriented priorities which correspond to the highest national interests of Russia.

Their purpose was entirely different—to attract the attention of the RF government and the country's public to those questions which, in the environment of complacency which has settled around us, still remain in the shadows.

Anti-Monopoly Committee to Support Consumer Rights

944E1145A Moscow DELOVOY MIR in Russian
12 Aug 94 p 1

[Article by Miroslav Buzhkevich, DELOVOY MIR political observer: "Protecting the Interests of the Consumer"]

[Text] In the RF [Russian Federation] State Committee on Anti-Monopoly Policy and Support of New Economic Structures (GKAP), a press conference was held for Russian and foreign journalists. Participating in it, aside from the chairman of this committee L. Bochin and his deputy N. Fonareva, were representatives of Gostandart [RF Committee on Standardization, Metrology and Certification], Roskomtor [RF Committee on Trade], and the RF MVD [Ministry of Internal Affairs]. The journalists were presented the state report, "Protection of Consumer Rights in the Russian Federation (1992-1993)." It was prepared by the Anti-Monopoly Committee with the participation of

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Goskomstat [RF State Committee on Statistics], the Ministry of Communications, the MVD, Gosstandart, Goskomsanepidnadzor [State Committee for Sanitary-Epidemiological Oversight], Roskomtorg, and a number of other federal departments. The document was forwarded to the president of the country and to the government. The publication of the report, as L. Bochyn said, is a civilized form of reporting by the state structures to the taxpayers.

In Russia this is the first experience in such reporting. The Anti-Monopoly Committee intends to prepare subsequent reports on the development of small business and the creation of a competitive environment.

Protection of consumer rights is a current and complex problem whose solution is being sought in all countries of the world—from the economically strong to the weakly developed. In our time, when the assortment of goods, work and services is rapidly expanding, when the multiplicity and complexity of technological production is increasing, the consumer and the contractor, not having sufficient knowledge in the sphere of economics, jurisprudence and technology, feels helpless before the producers of these goods, the providers of the services, like a rabbit before a boa constrictor. In order to defend their interests, in February of 1992 the Russian law on protection of consumer rights was adopted. The report under discussion tells how this law "works."

No matter how critical we may be of the current status of trade, the poor quality of many of the goods and the low level of servicing, let us be objective—much is changing in this sphere before our very eyes. About two years ago, not only in the kiosks, but in respectable commercial stores there were signs which read: "Sold goods not returnable." Buyers of television sets, radios and major household appliances were warned: "The guarantee is three days." Today you will rarely encounter such a thing. This is a direct result of control over adherence to the law. Last year, the Anti-Monopoly Committee and its territorial administrations reviewed 10,000 applications on cases of violation of consumer rights, which is 7 times more than in 1992. On one in seven complaints, a case of violation of consumer rights has been filed. More and more often, manufacturers of automobiles, television sets, video recorders, refrigerators and other similar goods are paying out sums numbering in the millions in compensation for financial and, most importantly, moral damages because of poor quality of their goods.

In the last 2 years, 21,500 enterprises have been verified for adherence to requirements of state standards. Violations were found at over half of them. Over 13,000 prohibitions for sale of products have been formulated. All this not only protects consumers, but, if we may say so, educates civilized entrepreneurs and merchants.

Obviously, it is too soon to beat the drum. We are still at the very outset of the path to practical ratification of full rights of the consumer. We must continue the creation of a legal base for these full rights. The amendments to the law on protection of consumer rights, suggested by the practical experience of its implementation, have already been prepared. It is extremely necessary to adopt a law on advertising at the Fall session of parliament. The effective

regulations are far from being complete. Moreover, they are being impudently flouted by advertisers—various companies, funds and banks, as well as by those who run the advertisements—the mass media.

Another task is to strengthen the legal education of the public. Most of us do not know what information we should demand in a store, say, when purchasing a musical entertainment center, or in a bank when buying stock. Here much can be done by public consumer associations, which number over 230 in the country. It is they who will help the public understand their rights in the market.

In response to the question posed by DELOVOY MIR regarding the practice of licensing, which has become the source of income for bribe-taking officials, L. Bochyn said that here much really needs to be corrected. It is time to introduce regulation of licensing. We must increase the responsibility of the agencies which issue permits for production of goods, operation of stores and cafes, or provision of various services. Moreover, the process of licensing itself should become public.

As it is in most countries of the world, the certification of goods, work and services has been introduced in Russia to prevent the manufacture and sale of products which are hazardous to the life, health, or property of a person and the environment. Yet not all is in order here. Last year, for example, one-fifth of the electronic goods were sent back for re-working because they did not meet this requirement. Up until the present time, when permits for the manufacture of certain goods are issued, often verification is not made to see whether agencies of Gosstandart have issued any conclusions as to the safety of these items. Evidently, here too we must establish strict order.

Scientific-Technical Progress in Electric Power Sector

944E1147A Moscow *RABOCHAYA TRIBUNA* in Russian
17 Aug 94 p 2

[Article by Viktor Kudryavyy, first vice-president of the RAO [Russian joint-stock company] "YeES Rossiya": "Days of the Turbines Will Last Forever; On Problems of Scientific-Technical Progress in the Sector"]

[Text] Scientific-technical progress in the electrical power industry must ultimately resolve the tasks of creating effective technologies for utilizing primary resources, introducing reliable and economical power generating equipment, and ensuring ecological safety of electrical power production facilities.

The most important direction of developing scientific-technical progress in the power industry is the introduction of steam-gas installations (PGU), which make it possible to significantly reduce the specific fuel expenditures for production of electrical power. The relative share of natural gas in the balance of consumed organic fuel in electrical power production comprises over 50 percent. However, this rare fuel which has good ecological characteristics is used ineffectively due to the relatively low kpd [efficiency] of the existing equipment (around 38 percent).

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It is much more effective to burn the gas in gas-turbine installations with subsequent use of the heat from the products of combustion for production of electrical power in a steam turbine. The efficiency of such a binary cycle reaches 50-53 percent, which leads to a fuel economy in the amount of 15-20 percent.

Despite the fact that such installations were tested in domestic power engineering 20 years ago, our country's power engineering machine building in the sphere of developing gas turbines has lagged behind. This technology was not introduced into domestic power engineering.

At the present time, plants of the defense complex which created effective power installations for aviation and for the naval fleet have been involved in the development of gas turbines. Introduction of PGU with capacity of 16, 25, 80, 325 and 450 MW should begin at a number of power plants throughout Russia in 2-3 years. Joint enterprises with the best foreign companies (General Electric, Siemens, ABB and others) are also being created for production of gas turbines. The first gas turbines with capacity of 150 mW, jointly produced by the AO [joint-stock company] "LMZ" and Siemens, will be supplied to the Northwest TeTs [Central Heat and Power Plant] in St. Petersburg, the Kuban-GRES [state regional power plant] and the Shchekinskiy GRES.

Another problem is the assimilation of new highly effective technologies for burning low-grade fuel. In the period to the year 2000, provision has been made for the manufacture and operational introduction of a series of highly effective boiler installations based on principally new technologies of burning coal in a circulating boiling layer. This will make it possible to solve the ecological problems with a high degree of effectiveness without the installation of expensive equipment for purification of the flue gases from nitrogen oxides and sulphur dioxide. At the Novomoskovsk Tulenergo GRES, there are plans to introduce the first boiler with steam productivity of 500 tonnes per hour for burning coal from the Podmoskovskiy region.

Technologies for indirect burning of coal by means of its preliminary gasification present great possibilities for improving the ecological nature of coal TES [heat and power plants], and at the same time improving their economy. The gas obtained in the course of coal processing is burned in the binary cycle steam-gas installation, which provides a cycle efficiency of up to 48 percent. However, since traditional technologies for burning organic fuel will prevail for a long time, it is important to increase their "ecological purity." Technological methods for suppressing sulfur and nitrogen are being developed and widely introduced, and various technologies for desulfization and denitrication of flue gases are being tested in experimental installations.

The most important part of the problem of increasing effectiveness of operation of the country's energy complex is the policy of energy conservation. Aside from the new technologies for producing electrical power which were noted above, this set of tasks includes the reduction of electrical power expenditures for transport in electrical networks, and also, most importantly, the development of energy-saving technologies by consumers of electrical

power in all sectors of the national economy and household application. Therefore, the need has come to develop and implement a law (or laws) on the power industry, which establishes precise rules of interaction of the producer and the consumer of electrical energy (the principle of rate formation, economic benefits, state support of development of non-traditional power sources and power-saving technologies, etc.).

The quality of power engineering equipment has particular significance. Power engineers, as consumers of equipment, are interested in the cardinal improvement of all of its consumer qualities: Economy, reliability, safety, reduced frequency of repairs, reduced expenditures for repair and technical servicing, increased level of equipment with means of automation, control and diagnostics.

Domestic power engineering, despite a number of problems, still provides the national economy with heat and power. However, it is necessary to urgently solve these problems on the basis of introduction of new equipment and new technologies, relying on sectorial science, preserving and developing it. Reliable financing of new developments must be provided by means of unconditional formulation of an extra-budgetary fund for NIOKR [scientific-research and experimental-design work], although this, of course, is insufficient for financing developments on a sector-wide level. State support is needed.

For comparison—the leading foreign firms and power companies spend 5-7 percent of their working capital on scientific research and development. State support of science must also be implemented through the tax policy in regard to scientific-research organizations and by means of budget financing of fundamental research and vital scientific programs. Under current conditions, science needs funds for supporting and developing experimental bases, and for equipping them with the latest technology and instrumentation. These funds must be obtained only in the form of preferential credits and target investments.

In order to give a real impetus to scientific-technical progress in electrical power engineering, it is necessary to have additional serious budget support of sectorial science. Otherwise, the scientific potential will be lost not only in power engineering, but also in related fields: Machine building and instrument making, chemistry, metallurgy and other industries working for power engineering. Their products will become non-competitive, and there will be a re-orientation in the national economy to products of Western firms, leading to a total dependance on foreign suppliers, with all the consequences stemming from this.

Locomotive Fleet Status Detailed

944E1065A Moscow GUDOK in Russian 14 Jul 94 pp 1-2

[Article by B. Chibisov: "An All-Purpose Locomotive: Transport Scientists Are Working on Its Development"]

[Text] Any situation, even a desperate one, has both pluses and minuses. One must simply have the skill to make use of them....

It would seem that the present economic situation in the country, when industrial enterprises are shutting down one

after the other, the production volume is falling catastrophically and unemployment is growing, would not be very conducive to creativity. Then suddenly my collocutor was fighting for the development of a locomotive that is new in principle.

"Yes, it is precisely now that we have the unique opportunity to do this," said Ye. Kossov, doctor of Technical Sciences, professor, head of the Diesel Locomotive and Locomotive Services Division of VNIIZhT [All-Union Railroad Transport Scientific Research Institute]. "With the drop in transport volume, thousands of locomotives have been released. This means that for a number of years you manage with the existing fleet, and during this time you test out individual units and assemble a new, domestic, all-purpose locomotive."

"Yevgeniy Yevgenyevich, you say new in principle, all-purpose. What is the essence of this definition? Can you give a visual picture of it?"

"Yes, here it is!" Kossov unfolded a poster-drawing, which depicted the diesel locomotive of the future. "It can be used for passenger, and freight, and shunting work...."

Information

Almost 54 percent of the extent of Russian Federation railroads is served by diesel locomotives. They perform one-fourth of the freight transport, about 10 percent of the passenger transport and almost all the shunting work.

There are 9,413 diesel locomotives in operation today. Of the entire inventoried fleet of the Russian Federation railroad network, only 14 percent of the locomotives can be included, with respect to their structure, among modern second generation diesel locomotives (2TEP60, TEP70, TEM7). The rest (TE3, TE10 and TEM2) were designed in the 1950's.

You cannot say that the situation that has formed in the locomotive services is completely depressing, but it does not dispose one to placidity. The equipment was functioning normally when it was promptly serviced and updated. But here are the problems.

In the last four years, the procedure of replacing locomotives that have worked out their service life has been virtually reduced to zero. Whereas in 1990, the network obtained 1,700 sections of all types of domestic diesel locomotives and 200 shunting engines from Czechoslovakia, last year it was only 49 sections. And this year—eight, and they were only TEP70 passenger ones. The Lugansk Diesel Locomotive Building Plant, which supplied mainland freight engines, has ended up being abroad. The prices for its products have jumped so much that the Russian railroads cannot afford them. Indeed, production itself is collapsing because of the economic crisis. Things are no better for the Kolomena Passenger Plant, and the shunting plant at Bryansk....

So like it or not, we have to work with what we have, paying our main attention to technical maintenance of the locomotives and to prolonging their service life. The drop in transport volume makes it possible to utilize for work

only half of the listed composition of the fleet. A surplus of both diesel locomotives and electric locomotives has appeared.

In January, at an expanded session of the MPS Collegium, a complete program was adopted to improve locomotives, and several directions of activity are specified for it, including: high quality and promptness in carrying out all types of repair, assigned driving, modernization, diagnostics, retiring the "surplus" to the reserve and transfer from roads with an abundance of locomotives of the more recent series to mainlines which are operating obsolete types of diesel and electric locomotives.

For example, on the Northern Railroad, the diesel locomotive fleet is old, while on the Moscow, Volga and West Siberian roads, the relatively new 2TE10M locomotives have been released and placed in the reserve. Of them, about 90 units are to be transferred to the Northern Railroad, and the first-generation TE3 and 2TE10L diesel locomotives there are to be written off. According to information from A. Shutskiy, chief of the Department of Diesel Locomotive Repair of the Locomotive Main Administration, the Northern has already replaced half of its fleet in this way.

Anatoliy Georgiyevich is a specialist with a wealth of experience in improving locomotives. Of all the measures to prolong the service life of diesel and electric locomotives, the main one can be singled out—a finely tuned planned-preventive system of repair, development of a base for improving both plant and depot conditions (here there are new technology and technical diagnostics, etc.). One could go into detail about the way the operations workers have to get themselves out from under the present conditions when, on the one hand, no new equipment is arriving and on the other hand, there is a shortage of spare parts, equipment, finances.... And one must not overlook the main goal: maintaining the existing fleet of locomotives, not only for today's amount of traffic, but in case of an increase in transport volumes, with full provision of equipment in good working order.

Right now, A. Shutskiy and I are talking about modernization. Let us recall the essence of it. In diesel locomotives, the crew section is virtually standardized, but the power units vary. In particular, on an M62, the electric power equipment and the body part are reliably made, but the diesel is uneconomical and has a relatively short operating life. At the same time, domestic industry is now producing one of the best diesels in the world—the 12ChN26/26. For that reason, scientists are proposing to substitute it in the M62 diesel unit. This will give a considerable saving of fuel and oil and will simplify the technology for servicing the engine. The main thing is that it will prolong the locomotive's service life, which will also conform with today's tasks, especially since many diesel locomotives undergo plant repair, where the diesel is dismantled. So why put an obsolete one of the same type in it, when you can replace it, under plant conditions, with a modern one?

Several practical workers share this point of view. In particular, G. Osipov, deputy chief of the Locomotive Services of the October Railroad ("Slabeyushchaya tyaga"

[Weakening Traction], GUDOK, 26 May 1994). Scientists feel that this is precisely the way to pass painlessly through the transitional period to the construction of a new diesel locomotive.

"We are all for modernization," agrees A. Shutskiy, "It is a good thing. Before we start on it, though, we must scrupulously reckon up everything. We must make the technical-economic substantiation: what this will yield, what the expenses will be and how long it will take to recover them."

Anatoliy Grigoryevich told of how they had at one time tried to modernize the 2TE10L diesel locomotive. They suggested to the Lugansk Plant that it install the new D49 diesel on it. The plant workers carefully reckoned up the work and it turned out that it would all come out to 110 percent of the cost of a new diesel locomotive. Is this modernization necessary? By the way, when this material was being readied for press, the decision had already been made to modernize the M62 diesel locomotive this year as an experiment.

Let us return, however, to the diesel locomotive of the future. Its profile resembles the contours of a passenger vehicle of the semi-hooded type. It has a slightly raised cab, from which there is a good front and rear view, and two doors (for comparison, there are 16 on the TE116!)

"It is not just a question of the locomotive," says Ye. Kossov. "We are proposing to develop, straight off, a unique complex, which directly includes the diesel locomotive, a bay for its automated servicing and technical diagnostics and a set of repair devices."

Why this approach? What is it with us—are we short of depots, inspection pits and equipment so that we have to build additional ones? A brief digression in the story is in order here.

When the decision was made, in 1946, to convert the railroads to diesel locomotive traction, along with the locomotive (and for it), we designed depots, equipment and devices for repair and service. After that, however, the direction of the technical policy changed somewhat. It was decided: if we build something new, then it will be the biggest, most powerful and strongest in the world. To this day I can see the notice in one of the capital's newspapers reporting that the Soviet Union has created the largest turning lathe, weighing over 2,000 tonnes.... Not a word of its productivity, economy, etc.

The transport equipment was given the same window-dressing. They made a new series of diesel locomotives (the most this, the most that....) using the old equipment, the former methods of repair and obsolete technology. They said, why change the equipment—it is too costly. So there was a direct break between the locomotive and depot services. The power of the diesel locomotive and its size increased, but they worried about operating it. The repair workers said: better you give us the old engine, we have all the necessary equipment for it, and we know how to service it.

Everyone knows the result of all this—the series was a failure from the time the new types of diesel locomotives were put into operation. They made a passenger TEP75

(6,000 h.p.)—they produced two models of it and it went no farther. Indeed, it could not go farther, since there were no appropriate diesels for it. After it—the freight TE136, just as powerful—the only model of it stands to this day, written off, on the VNIIZhT test ring at Shcherbinka. The TE126 was not accepted for operation either. They thought about the 4,000 h.p. TE121 for over 10 years, and simply abandoned it....

"That is why we are standing up for the design of an entire locomotive complex at once," Ye. Kossov continues. "So that there can be a new diesel locomotive and the appropriate system to service it. After all, if you take a modern diesel engine (D49) and put it on the new diesel locomotive, even then we will not be able to make full use of the diagnostic equipment. The engine is simply not adaptable for it, just as it is not adaptable to automated servicing. We must revise the principle of the entire layout of the locomotive. Throughout the world they long ago converted to manufacturing a unit-type diesel locomotive: you have a diesel-generator unit, an auxiliary equipment and electric power transmission unit, a brake equipment unit, etc. They are all totally enclosed".

In the 1960's, being an assistant engineer, the author of these lines had occasion to hear a story told by the chief engineer of the Lyublino Depot on the Moscow Railroad, who had just returned from a business trip to the United States. The conversation was naturally about the work of American railroad transport, the work conditions of the locomotive crews, etc. It was all interesting and alluring, and somehow unreal, as compared with our reality. Well, for example, there, before a run, the train engineer and assistant are in a special rest house, located, as a rule, in the woods—"far from the noise of the city." You cannot help but compare our pre-run rest.

Most striking of all, though, was the fact that, if you happen to have a defect in any unit in the locomotive en route, the crew will not start to eliminate it, it simply does not have the right to do that. All the units are sealed and only the repairmen at the depot have access to them. For an engineer on a journey, there exist only the light signals, the controller and the brakes—that's all.

Here I am reminded that, the day before, a mechanic and I had been "stretched out" on the line with a tank-car train—the diesel of one of the sections of our TE2 had stalled. Locomotive workers will understand how frenetically we sought the defect at that time. Time drew on. What should we do? Call out the auxiliary locomotive, in order to free the line, or find out the cause ourselves? What if it was a trivial defect—at that time they would accuse us of technical incompetence and delaying the trains. They did not say thanks for the auxiliary, however. In contrast to the customer, who is always right, the engineer most often finds himself the guilty party.

For that reason, scientists proceed from the fact that the diesel locomotive that they have proposed should not be serviced by the crew en route, or rather, in case of some breakdown or other, the engineer should not try to put things right. Then he does not need access to certain specific parts, contactors or relays.... there should be a unit block, which is removed at the depot, checked, repaired if

necessary and put back in place again. These blocks can be arranged any way you like—this is the designer's license. The density of the machine layout thus increases, and the possibility appears of increasing the power of the locomotive and improving other of its qualities.

Let us imagine that this diesel locomotive calls in at an automated inspection pit. It is automatically filled with fuel, sand, water and oil. Instruments give a diagnostic "reading" of the condition and work of the units, with respect to ecological indicators, as well. A defect is discovered in a certain block—they remove it and quickly replace it with another. That's all. The locomotive is ready for a run or for shunting work.

In order to avoid going into technical details, let us explain the basic principle of achieving versatility. The power range of a diesel in the new locomotive may be selected on the basis of the type of activity. Let us assume 4,000 h.p. (for freight transport) is achieved at 1,000 revolutions of the crankshaft per minute. This sort of power is not necessary for shunting, however. Some 1,000 h.p. is enough—at, let us say, 500 rpm. Moreover, the readjustment, in the opinion of scientists, is not complicated. At first only the turbocompressor needs to be changed, and after that—by a simple switching of the diesel work mode from the control panel: shunting, freight, passenger.

It is therefore enough to have one type of locomotive in operation to do all types of work. It is also easier with respect to locomotive crews—they need to know the design of only one machine. And it naturally simplifies the servicing technology.

For the time being this is only a scientific study. Behind it, though, it is easy to discern the advantage of the new locomotive, and the reality of its construction. Especially since the basic units (diesel, electrical equipment, etc.) are practically being produced already by domestic industry. The Lyudino Diesel Locomotive Building Plant is ready to take on its assembly. But... everything hinges on finances. There are no funds for this purpose today. The program for Russian locomotive building, although it has been signed by V. Chernomyrdin, has not been approved by the State Duma. This means that you can rely little on the state budget. So what then—shelve the project?

"Right now we are producing a unique booklet with a description of our diesel locomotive," said Ye. Kossov in conclusion. "We are thinking about sending it around to the railroads—after all, they are first and foremost interested in the locomotive. Let them evaluate it. If we do not succeed in getting centralized financing, then why not have the railroad in conjunction with VNIIZhT, set up a holding company, so to speak, to 'jump off' with the funds for design of the diesel locomotive and production of a test model of it. This won't require all that much. It is possible that the CIS countries, as well, will not stand aside."

Well, all right—let us hope for the best. Let us remember—only a year after the war the decision was made to convert railroads to diesel locomotive traction. This was by no means cheap. But it was done! So is it not then within our powers today to create a Russian diesel locomotive that is new in principle?

Here he swiftly races away with the poster. For the time being, with the poster.

New Railway Container Handling Technology Examined

944E1077A Moscow GUDOK in Russian 21 Jul 94 p 1

[Article by V. Sergeyev: "New Technology—New Possibilities"]

[Text] When you approach the office of the Moscow-Freight-Paveletskaya Station, your eye is immediately struck by two- and three-tier pyramids, stacked on the asphalted area, made up of huge twenty-meter containers. I had not had occasion to see such things at the stations of the capital's junction before.

I was also struck, though, by the way the powerful loader, with the unfamiliar name of Valmet, which removed 40-tonne or, to use professional jargon, 40-foot metal boxes from the height of a two-story house easily, as if they were matchboxes, and loaded them on the special motorized trailers of the approaching machines. The work, it must be said, was intricate, one could be lost in admiration of it....

"The equipment is excellent," said Dmitriy Kashirin, machine operator, in answer to my greeting, while descending from the cab during a brief cigarette break. "This bulky thing is, like—60 tonnes, but it is easy to operate. Adapter grips, a hydraulic system, a large crane arm—all this makes it possible to position a stack of containers, and in five tiers. Another important thing—you don't have to run the slings from the top when securing the steel cables. This is unsafe, particularly in winter. In the cab, you feel as if you were in the interior of a passenger vehicle—you can move back and forth, and there is air conditioning and a heater...."

It was not by chance that I began my report with the large-load containers. As everywhere on the mainline, with an over 50-percent drop in transport volume facing the collectives involved in freight transport, the question has arisen of maintaining the profitability of their enterprises. This problem did not by-pass the Moscow-Freight-Paveletskaya Station, either. On the one hand, it is in a more advantageous geographical position than the others. It is much more convenient for the enterprises and organizations located within the city boundaries to obtain the necessary raw material and materials from here and deliver them to the production facilities, and also to unload the finished products. Quite a few commercial structures have recently become associates of it.

This is not the only factor that aids the collective, though. It is itself looking for freight and looking for work, without relying on the off-chance. It is therefore keeping itself firmly afloat. The station concluded a contract with enterprises, based on contractual rates. The number of services to the clients is constantly increasing, and they now come to about 30. This includes receiving freight for responsible storage, with additional plans for processing it, and supplying information for consignees.... Filling out customs declarations for the near and far abroad, for example, provides a fairly good income. The calculations compiled

for payment take into account the work of all the services: track workers, traffic workers, power engineers, communication workers....

Changes are also noticed on the station's territory. The erection of a new administrative wing and scales to weigh loaded motor vehicles and railcars is being completed. The area for the large containers stands out because of its freshly laid asphalt. It is arranged at the site where the heavy freight, the arrival volume of which has dropped sharply, used to be processed. Half of the medium-tonnage area has been adapted for 20- and 40-foot containers.

"A year ago," explained V. Kalinin, station chief, "because of the drop in the transport of 3- and 5-tonne containers, we decided to go right to 20-, and especially 40-tonners, which are widely used in the countries of the far abroad. At present, for example, Finland has about a thousand containers passing through customs formalities before being shipped to our country. They will all pass through our station, since the other stations at the capital's junction have not been adapted to receive them, and all the freight for Russia from foreign firms should be processed only in Moscow. Prompt reorientation also gives us additional income."

This station, at the consignee's request, has also begun to handle the receiving of passenger vehicles passing through from the near and far abroad. True, initiative was shown here by the workers of the mechanized loading-unloading subdivision, who built a special trestle to unload the cars.

The subdivision is worth particular mention. In six months it has processed 1,084,600 tonnes of freight, and the profit was almost 400 million rubles [R]. This was under the conditions of the sharp drop in transport volume.

Two years ago, the Avtodorozhnyy Kombinat No 15 Joint-Stock Company set up its own motor vehicle service, which now numbers 62 vehicles, in order not to give up its "own" work. Clients were pulled into the subdivision: today contracts have been concluded with 200 enterprises and organizations. Nevertheless, everything is in the same hands here—the loading-unloading mechanisms, the warehouses, the freight office. A transport-dispatch service is now being organized.

The fact that the subdivision's motor vehicle services cost the clients less undoubtedly played its part too. True, there is not yet enough strength for real competition with the motor vehicle combine, which has up to 100 vehicles on the line, but the service is growing. They have built a garage and are planning to put up a reinforced hangar and purchase large trucks. These are very necessary for the delivery of large containers. The processing of 40-footers, which they began to handle last year, and the unloading of passenger vehicles are also helping the subdivision's collective. In a word, one who looks for work will always find it, and this means additional income.

Transbaykal Railroad Accident Record Scored

944E1077B Moscow GUDOK in Russian 21 Jul 94 p 2

[Article by V. Pakulin, GUDOK correspondent: "You Cannot Repeal the Laws of Physics by an Order"]

[Text] At the end of June, the management of the Transbaykal Railroad had to answer to the MPS Collegium for the sharp deterioration in train traffic safety. Perhaps the most serious was the wreck of eight-axle tank cars which took place in April on the Skovorodino Division. And what was the cost of the cluster of accidents in the last days of May and the beginning of June.... Some of them were also caused by eight-axle cars. It is not by chance that talk again arose at the collegium on the inadvisability of putting these tank cars through on the Transbaykal polygonal net.

"This question has repeatedly been raised before the ministry," said G. Korolev, deputy chief road inspector for Traffic Safety. "Starting with 1987, there were 18 serious derailments, mainly on the Skovorodino Division. In April, when a commission was working there, with the participation of the deputy minister of Railways, the chief of the Railcar Main Administration and representatives of VNIIZhT and MIIT, there was talk about not accepting eight-axle cars on our railroad. Although the MPS promised to consider this question, I am not certain that it will be decided affirmatively. There is too great a shortage of tank-car rolling stock."

Ye. Kudrya, chief of the Railcar Service, also holds this opinion:

"I think that a ban on the throughput eight-axle tank cars on the Transbaykal is unrealistic. Four-axle cars have mysteriously disappeared from our railroad. There were many more of them before. Now, however, petroleum product transport is mainly performed by eight-axle tank cars. They have proved to be highly efficient. If you exclude them from operation, you may put the Far North and the Far East on starvation rations."

Here is the viewpoint of A. Nikulin, deputy chief of the railroad:

"It is not so simple to make the decision not to allow eight-axle tank cars on the polygon net of the Transbaykal mainline. If you take into consideration the fact that the fleet of tank cars is getting old, then the adverse effect of this rolling stock on the line is intensified. It is constantly falling apart. As for providing the Northerners and Far Easterners with petroleum products, this problem can be solved by changing the eight-axle cars to the West Siberian, where both the plan and the profile of the track are much easier. Send the four-axle cars to us. After all, 38 percent of the extent of the Transbaykal Railroad is made up of curves—this makes the passage of heavy rolling stock extremely difficult."

Although each of the top specialists has his own opinion on the possibility of passing eight-axle cars along the road, they are unanimous in one thing: the use of these tank cars on the mainline does not increase train traffic safety. Here is the reason.

G. Korolev. The main number of derailments of eight-axle tank cars on our road occurred in 1987-1989. At that time a great deal of work was done to ascertain the factors which reduced their stability. Analysis and calculations made it possible to carry out a set of measures on the road which made possible a sharp reduction in tank car derailments. They took effect immediately in several directions. For

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example, the track services regulated the raising of rails on 244 curves. They worked out norms for the railcar workers for rejecting eight-axle tank cars, since no all-network norm exists. Even the instructions issued last year for a railcar inspector do not specify these norms. Incidentally, a railroad school, held recently by the railcar service at the Mogocha Depot base, was devoted to this subject.

The main attention was paid to the condition of the track on the Skovorodino Division. Capital repair was performed.

These and a number of other measures rid the road of mass derailments of heavy tank cars. I will note that the tank cars begin to fall more frequently after six to eight years of operation. In virtually all cases of derailment, we discovered above-norm skewing of the tank barrels. There is so far no real methodology for putting this defect right, under our conditions. Since eight-axle cars travel a locked route from Angarsk to Komsomolska-on-Amur and Khabarovsk, the activity of the repairmen on the East Siberian and Far Eastern railroads acquires particular importance. The safe passage of the tank car fleet along the Transbaykal Railroad depends on them alone. If this problem is solved—the tank cars can travel even along difficult sections.

Ye. Kudrya. Eight-axle tank cars, after the necessary preparation at the filling and draining points, should pass along our railroad in transit, without uncoupling. What we are observing today, however, does not meet the demands of train traffic safety. We have to work, by primitive methods, on serious defects which should have been discovered and eliminated during depot and capital repair.

The repair base on the Far Eastern is only just being developed, though, and on the East Siberian, virtually only one depot in Tayshet can perform difficult repair. The East Siberian workers, however, whether because of a shortage of time or because of a lack of tanks, are simplifying the technology for loading preparation, and are trying to fill them as quickly as possible and shove them off to their neighbors. We have to wrack our brains. After all, in routine and uncoupled repair, we can only replace the automatic air brakes and the wheelpairs. As for the center pivots and pivot bearings, and the connecting shafts—we have no possibility of repairing them.

Under these conditions, the repairmen on the neighboring roads, who should eliminate the defects of the eight-axle cars, have an even greater responsibility. In addition to the skewing of the tank barrels and the disarrangement of other units, the increased wear of the wheelpairs is worrying. Right now, for example, over 100 eight-axle cars are in repair on our railroad, and three-fourths of them—because of defective wheelpairs. And there is a great shortage of them.

Well, and, of course, the safe operation of eight-axle tank cars depends on how well we maintain our tracks.

A. Nikulin. A trend has recently been noted on the road, unfortunately, toward a deterioration in its condition. It would seem that, with the drop in freight transport, the loads on the track would be reduced, and it would be easier to maintain. In reality, though, everything is turning out to

the contrary: since 1988 the intensity has been increasing, and the number of "unsatisfactory kilometers" is growing....

The main factor in the disarrangement of the track is deviation with respect to gauge and alignment. In both cases the action of the rolling stock is having an effect. About a dozen years ago, with the increase in the load of the railcars, particularly with the appearance of eight-axle tank cars, the track began to get intensively broken down. The road was becoming almost impassable because of the rail wear. We have succeeded in preventing this misfortune.

We could not, however, maintain the track in its normal condition with respect to alignment. The rolling stock has a hard time negotiating curves, due to which the track is even more misaligned. The track workers are forced to straighten out the track every Thursday.

The main troubles come from eight-axle tank cars. While in 1992, 2,618 were uncoupled, last year it was 4,710. The reasons: defects in the wheelpairs and rolling axle box, and skewing of the body. We are, of course, taking measures to maintain the track in satisfactory condition. But if the number of "sick" eight-axle cars has almost doubled in a year, this means that their adverse effect is growing accordingly. Today we can no longer hold the gauge. This track defect is being eliminated only by alteration. This often repeated operation, however, makes the ties unserviceable. We have therefore been forced to work out our own conditions for evaluating the condition of the track.

Small-radius curves are dangerous for eight-axle tank cars. It is not even so much the curves as the fact that the speed established for them is not realized: derailments as a rule, occur at low speeds. You cannot repeal the laws of physics with any order. It is one of two things here: either maintain the technically substantiated speed (this means, the weight of the train must be reduced), or change the elevation of the rails. Then the speed of passenger trains will fall. Something must be sacrificed—either the weight of the freight trains or the speed of the passenger trains.

GUDOK reported, on 18 September of last year, the many unpleasant features connected with the operation of eight-axle tank cars. Despite the fact that the measures taken removed the stress to a certain extent—there are no mass derailments, no one will guarantee that the next wreck will not take place tomorrow. So perhaps, eight-axle cars should really be directed to safer routes?

What will scientists say about this?

High-Speed Rail Line Company Director Interviewed

944E1094A Moscow GUDOK in Russian 28 Jul 94 p 2

[Interview with A. Bolshakov, director of the Russian Vysokoskorostnyye Magistrali Joint Stock Company, by N. Konovalova: "Fantasy or Reality?"]

[Text] Here is some data on the St. Petersburg-Moscow high-speed mainline, construction of which is slated for completion in this century. The total length of the route (in double-track calculation) is 654.3 kilometers. The speed of

the train traffic on it will reach 250-300 kilometers an hour. The train time from one metropolis to the other—about two-and-a-half hours. The special, comfortable new rolling stock, the modern railroad track, the automated control system and the set of the newest communication devices all guarantee complete safety for the passengers. They will be given the highest level of comfort.

"This is no fantasy, but a reality of the year 2000," stated the general director of the Russian Vysokoskorostnyye Magistrali Joint Stock Company (RAO VSM).

On 31 July 1993, the first foundation pile of a bridge across Slavyanka Creek was cemented, in a ceremony on the 18th kilometer of the future mainline.

Here is the first question for our collocutor:

[Konovalova] At what stage is the realization of the project?

[Bolshakov] First of all, during this time, three important expert examinations of the project have been made in Russia. The first—by a group attached to the president, the second—by Russian Gosstroy, and the third—by the Ministry of Economics. According to the verdict of all three expert examinations, the mainline will be a commercial success after it is put into operation.

In addition to the Russian expert examinations, we received the verdict of our stockholder—the Sofrera Company. In 1992 it also conducted an expert examination of the advisability of building the VSM [high-speed mainline], and gave it its "O.K." at that time. We have now jointly conducted an expert examination of the technical documentation. Today we have the document which came from this well-known firm, which specializes in developing high-speed railroads. This document was drawn up according to Western standards (it is accepted by any bank in the world), and Sofrera bears the moral and financial responsibility for it.

Well, now about what has already been done. The land-tenure plans for the entire length of the route—654.3 kilometers—have been completed. This work was done by the Leningrad and Moscow Giprottrans institutes and a whole group of different institutes belonging to Roskormzem. The latter issued an order on confiscating the lands along which the route will pass, and transferring them for its construction. We therefore have the legal right to the land along the entire route, and preliminary work has already started there. It is assumed that the preparatory work on the test section will mainly be completed this year. The basis has therefore been laid for the road's construction.

[Konovalova] Will it not turn out, though, that the route will be ready, but the rolling stock will prove not to be?

[Bolshakov] From the very start of construction of the RAO VSM, we will carry out all the appropriate developments: in the planning organizations, on the lines and in production. For example, the preliminary technical design for the high-speed electric train has been completed, and this design has already gone through its legal defense. If all goes well, and we are hoping it will, by the end of 1995 we will obtain the first consist, completely manufactured in

our own Russia. It should go through its tests before 1996, and after that Russian industry will start series production of these consists.

Construction of the supertrain is being handled by a very concerned corporation, created mainly from enterprises which formerly worked in the sphere of the military-industrial complex, and also by a group of enterprises which specialized in transport machine building. The experience of the developers of the ER200 train is helping us here. So we have hopes that the rolling stock for the high-speed mainline will be built in time.

[Konovalova] From what you have said, it follows that the construction project is proceeding at full speed, but passions are still boiling about the VSM. Some people feel that this cause was undertaken at the wrong time: there is no money in the treasury. Others are worried about the ecology, about violating the architecture of St. Petersburg, Moscow and other regions through which the mainline will pass....

[Bolshakov] Indeed, quite earnest discussions are going on. After all, though, there was also strong opposition half a century ago, when they began talking about building the first Petersburg-Moscow double-track railroad. The reasons were the same: some people felt that Russia was not yet ready for such serious construction, others worried about the price, and the fact that money would flow out of the treasury, they said, who knows where....

Today, however, we know where the money "flowed away," and to this day we are using the double-track mainline, connecting the two metropolises. Perhaps they will remember us later, when our descendants travel rapidly and comfortably on the supertrains?

It is a very good thing that the Russian government issued a decree which included the plan for construction of the St. Petersburg-Moscow VSM on the list of construction projects in the last decade of the 20th century.

This decree is a child born in suffering. Several ministries and dozens of different committees engaged in its creation, and many times, in performing the calculations, we had to prove and explain the need for this decree. For example, we met more than 11 times with the deputy minister of Economics alone. And this is with the full support of the local authorities of Petersburg and Moscow.

I would like to emphasize that it is not a question of financing the construction of the new railroad through the state. It is a question of the state's financial participation in this construction project, but only on a recovery basis. I have already said earlier that no money, in the pure sense, will be taken out of the treasury for this work.

The people's agitation about architecture and ecology are understandable. I can assure you, however, that the new railroad will not touch a single preserve nor a single park. Just as there will be no barbaric deforestation, filling up of rivers, etc. We are trying to take into consideration all the suggestions and comments of specialists, social experts and ordinary citizens, and to find compromise solutions. I agree, for example, with the opinion of the public expert examinations of the city of Tver, that the ecological requirements for the project must be intensified, and we will do this.

[Konovalova] The last question: won't this construction project take a long time?

[Bolshakov] No. Our lengthy construction projects stemmed from the fact that the contractors worked in one corner, and the designers—in another. The procedure for turning the documentation over from some hands to other hands dragged out. We are working according to a single scheme: we hold in our hands the development of the project as a whole, including the railroad terminal complexes and the high-speed trains. The contractor draws up the work documentation along with the designer, and therefore the problem of turning over the documents is solved. I assume that there will be no problems with the financing, either.

We are proceeding on schedule, and I am therefore completely certain (it is a pity that I do not yet have an invitation, or I would hand it to you) that the first super-speed train, manufactured by Russians will travel from St. Petersburg to Novgorod in 1997. In 1998, Moscow citizens will go as far as Tver on that same train in 45 minutes. And the line will begin to work in full, as outlined, in the 20th century.

Finance Chief on Railway Economic Difficulties

94E1102A Moscow GUDOK in Russian 30 Jul 94 p 2

[Interview with V. Pryadko, chief of the Financial Administration of the MPS, by Nikolay Davydov, GUDOK economic columnist: "The Railroads—Revenues and Expenditures"]

[Text] July is coming to an end, and the roads' financial situation, as compared with the beginning of the year, has not improved, and is even the other way round. The clients' debts have reached astronomical figures—3.1 trillion rubles [R]! The absolute majority of the mainlines are not meeting the deadlines adopted in collective contracts for paying wages. Can the railroad workers, under these conditions, give uninterrupted service to the people, industry and agriculture in the future? My interview with V. Pryadko, chief of the Financial Administration, began with this question.

[Pryadko] Unfortunately, despite the normative acts (edicts of the president and resolutions of the government) passed in the last few months on stabilizing the economic situation of the enterprises of the national economy, the financial position of railroad transport is not improving, and remains extremely tense. The main reason, as before, is non-payment for transport. In the first ten-day period of July alone, the shippers' debts increased by R75 billion, and in the second ten-day period—by R105 billion.

In general, out of the R3.1 trillion, the share of the enterprises of the basic industrial sectors accounts for over 70 percent:

The coal workers and petroleum refiners have not paid for R1.2 trillion worth of transport fulfilled;

The metallurgists—R618 billion;

The chemical workers—R235 billion. Etc.

The Siberian railroads have found themselves in a particularly difficult position right now. The coal industry enterprises owe the Kemerovo alone over R430 billion. The Kuznetskugol enterprises and the Mezhdurechenskiy and Tamusinskiy production-technical administrations owe tens of billions. The coal workers are in debt in the multi-billions to the Krasnoyarsk, Baykal-Amur and Northern railroads. The metallurgists of the Magnitogorsk, Chelyabinsk and Orsko-Khalilovo combines are not paying the collective of the Southern Urals mainline. The Angarsknefteorgsintez Petroleum Refinery owes the railroad workers of the East Siberian over R142 billion. The list of enterprises whose debts exceed all reasonable limits could go on and on.

[Davydov] Where have you ever heard of transport services, under the conditions of a market economy, being given on credit, and essentially, for next to nothing?

[Pryadko] I do not think that I've ever heard of it. This once again confirms the fact that our reforms lead wherever you like, but just not to market relations. The lack of thinking out the release of prices for energy carriers, and after that for many material-technical resources, forced the railroad workers who use these resources to raise the tariffs for transport, so that revenues and expenditures might in some way balance. Under the conditions of the disorder in economic relations, wild inflation and heavy tax pressure, the syndrome of non-payments, with which the authorities are unable to cope, has arisen and is in full bloom.

We are continuing, under these conditions, to carry freight—so that production will not shut down—thus accustoming the consignors to the idea that it is not obligatory to pay for transport services. It is not surprising that here and there they are openly declaring that they are not planning to settle their debts.

Even a measure such as concluding long-term contracts with the clients for transport service does not help. That same Kemerovo mainline has contracts of this sort on making payments for transport and clearing off debts, but they remain only on paper. The railroad is continuing to turn over railcars in good working order. That is, the clients have got accustomed to the fact that they do not have to fulfill the contracts, and that this does not threaten them with economic sanctions. Even though folk wisdom says: "You have to stipulate conditions to remain friends."

If, however, the clients feel no embarrassment, and the road directors show a lack of principle, the consequences may be most adverse. After all, the sector no longer has the resources necessary to repair and renew the track, rolling stock and other equipment. The carrying out of measures to repair the railroad services for work under winter conditions is being ruined. The state program for traffic safety is not being fulfilled.

[Davydov] The picture is indeed depressing... I recently read, in PRAVDA, a correspondent's interview with A. Volskiy, president of a Russian industrial union. He is afraid that the present situation in railroad transport may lead to a technological thrombosis which could paralyze the country's economy. Is Arkadiy Ivanovich not exaggerating?

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[Pryadko] I don't think so. Unless the situation is straightened out quickly, the consequences of this sort of handling of things will prove to be extremely serious for the entire economy of the country.

The MPS and the railroads are trying to alleviate the adverse effect of the non-payment crisis. Just this year, there were offsets of the mutual indebtedness and settlements for the transport of the material resources and products of the debtors, amounting to over R4 trillion. This, however, does not solve all the financial problems. After all, we need "live" money to settle with the budget and to pay wages.

[Davydov] I again wish to quote the press, television, radio.... Now and then one hears appeals from the coal workers, the chemical workers and the metallurgists to the government, the authors of which assert that the railroad workers have overcharged, with unthinkable tariffs.... It was to no purpose, they say, that the MPS was given the right to index them.

[Pryadko] In the first place, the MPS does not have this right. Nothing is done without government approval.

In the second place, the indexing of our tariffs proceeds as if in the footsteps of the indexing of prices in industry. That is, when the index of the rise in prices is already known. In short, we always lag behind in indexing tariffs, and lose colossal sums by doing this.

A specific example. According to the data of Goskomstat, prices rose by 4 percent in June. The MPS indexed tariffs by the same amount only beginning on 15 July, that is, practically a month later. If it so happens that the price index for the goods that we consumed in July goes down, then we will naturally lower the tariffs.

[Davydov] What next? Are there any ways of combating non-payments? Or is there no choice but to be reconciled to the present situation.

[Pryadko] Under the conditions in Russia, when motor vehicle transport is poorly developed, and raw material resources are sometimes a considerable distance away from the places where they are consumed, the railroads play a paramount role. Their destruction would signify a national catastrophe. On the basis of this, it is our deep conviction that railroad transport needs state support. Under today's conditions, an important element of this support would be the announcement of the absolute priority of payments for railroad transport. We cannot go on endlessly rendering services on credit.

Let us remember that in the former USSR, the consignors were issued unlimited payment credit to settle with the railroad for transport. Perhaps the State Duma could legalize something similar. Let us say, give payments for transport the same status as payments to the budget. This would make it possible to improve the situation in budgets at all levels, since today the railroad workers, because of non-payments, are incapable of putting about R1.5 trillion into them.

[Davydov] I understand that all the roads' internal reserves have already been exhausted?

[Pryadko] Not quite. The directors of the mainlines should always have saving on expenditures at their control. Subsidiary-ancillary activity and development of the service sphere provide a little. All this is incommensurable with the revenues from transport, however, and we do not even receive them in full measure.

The result of the search for ways out of the non-payment crisis was a proposal by a number of railroads and consignor enterprises on granting rebates on the tariffs. The MPS set up a commission which, in each specific case, considers this petition and grants a rebate, but on a compensatory basis, and on the basis of clearing off the debtor indebtedness. We feel that these are the correct steps, which will make it possible, in this situation, to slacken the pressure of non-payments under which both the railroad workers and our clients have found themselves.

Railway Freight Car Fleet Division Detailed

944E1084A Moscow VESTNIK VSESOYUZNOGO NAUCHNO-ISSLEDOVATELSKOGO INSTITUTA ZHELEZNODOROZHNOGO TRANSPORTA in Russian No 4, 1993 pp 17-30

[Article: "Special Operational Features of the Railcar Fleet Under the Conditions of Dividing Up Freight Cars Among the Railroad Administrations of the Sovereign States"]

UDC 656.223.2.05

[Text] The political events of recent times have led to the formation of 15 sovereign states on the territory of the USSR. Each of them follows an independent economic policy, including railroad transport administration. The directors of the railroad transport administrative bodies of the states have recognized the need to create a coordinating body—a Council, to coordinate actions to ensure interstate railroad transport.

The council coordinates railroad transport work on the interstate level and works out coordinated principles for its activity.

In coordinating the permanent working body of the Council—the Board—the decisions set forth below, which determine the system for joint operation of the railcars of sovereign state ownership, were prepared and approved.

Division of the Railcar Fleet. In 1992 a situation formed in which the railroad administrations of the 15 sovereign states formed on the territory of the USSR were operating legally "no one's," common freight cars and containers. This circumstance, superimposed on the difficulties of the economic situation and on the shortage of material resources, sharply lowered the volumes of rolling stock repair work. Fig. 1 shows a graph of the frequency of the arrival of railcars for routine uncoupled repair. The trend toward an increase in defective cars is shown in Fig. 2. The backlog of defective cars reached 160,000 units by the end of 1992, an increase of 1.97-fold compared to the 1986 level. The condition of the railcar fleet is deteriorating.

The majority of the railroad administrations of the states in 1992 in general purchased no new freight cars. Today,

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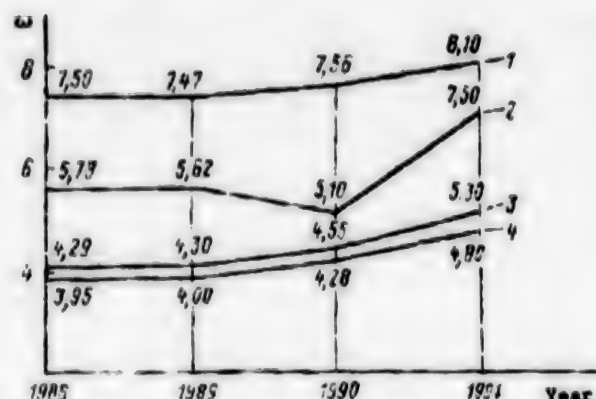


Fig. 1. Graph of the frequency of cars arriving for routine uncoupled repair:

1—gondolas; 2—all-purpose boxcars; 3—tank cars; 4—flatcars

the Russian railroads primarily bear the burden of concern for keeping the railcar fleet in good working condition.

There must be an immediate solution to the problem of the division and assignment of the car fleet to the states and the development and introduction of an operating system which would ensure the healthy condition of the car fleet and responsibility for adhering to the norms and regulations of railcar operation.

By a decision approved by the railroad administrations of the sovereign states, the share of all 15 states in the inventoried freight car fleet of the former USSR MPS was calculated on the basis of the actual presence on the roads of cars of each type according to the data of the statistical report of Form DO-7 for 1986-1990. The road report data was corrected on the basis of the boundaries between the sovereign states.

Division by number encompassed the following cars registered in railcar documents according to the conditions on 20 May 1992: 1,509,950 with 8-symbol numbering, 27,763 cars with 7-symbol numbering and 5,428 cars with mutilated numbering.

As a result, distribution by type was adopted for the inventoried fleet of freight cars with 8-symbol numbering.

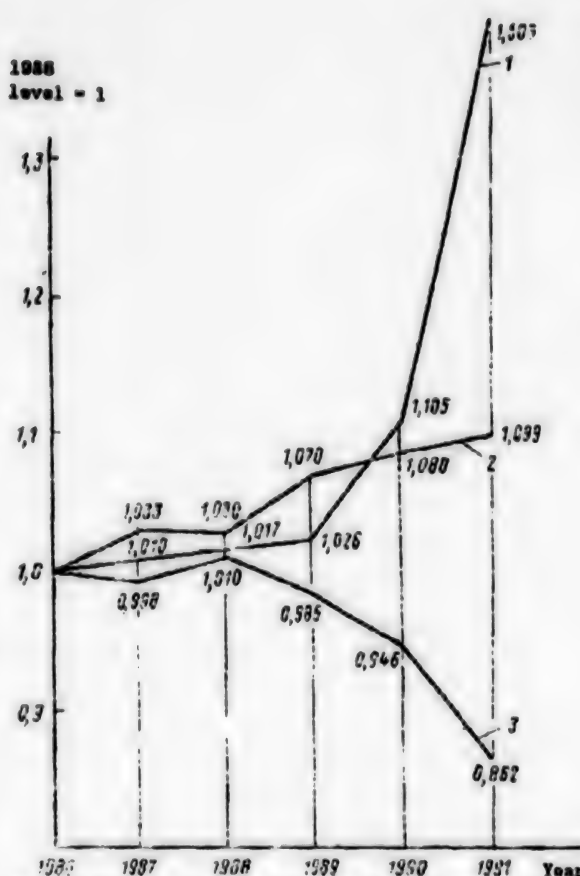


Fig. 2. Indicators of work and condition of freight car fleet:

1—defective cars; 2—car turnover; 3—freight dispatch

by states, presented in Table 1. In the table, the railcar fleets of the Belgorod Division and Valuyskiy Junction were registered as part of the Southern Railroad of Ukraine. These cars (23.45 percent of the car fleet of the Southern Railroad) were to be additionally inventoried for the railroads of Russia.

Table 1.

States	Distribution of inventoried freight car fleet with 8-symbol numbering by states					
	TOTAL	Boxcars	Flat cars	Gondolas	Tank cars	Others
Russia	942,652 *	157,043	139,283	345,216	115,124	185,986
	62.43	59.49	67.03	62.43	62.59	61.73
Ukraine	272,663	43,635	24,894	120,713	27,093	56,328
	18.06	16.53	11.98	21.83	14.73	18.70
Byelarus	36,098	7,311	4,904	8,295	3,668	9,920
	2.39	2.77	2.36	1.50	3.08	3.29

Table 1. (Continued)

States	Distribution of inventoried freight car fleet with 8-symbol numbering by states					
	TOTAL	Boxcars	Flat cars	Gondolas	Tank cars	Others
Estonia	6,799	873	520	2,046	1,029	2,331
	0.45	0.33	0.25	0.37	0.56	0.77
Latvia	10,107	1,715	1,206	1,991	2,005	3,190
	0.67	0.65	0.58	0.36	1.09	1.06
Lithuania	12,859	2,244	1,579	2,875	2,537	3,624
	0.85	0.85	0.76	0.52	1.38	1.20
Moldova	12,700	3,642	1,101	3,207	1,195	3,555
	0.84	1.38	0.53	0.58	0.65	1.18
Kazakhstan	106,727	19,587	15,044	42,634	12,012	17,450
	7.07	7.42	7.24	7.71	6.53	5.79
Kyrgyzstan	2,422	607	498	609	255	453
	0.16	0.23	0.24	0.11	0.14	0.15
Georgia	19,187	4,489	2,410	6,082	2,446	3,760
	1.27	1.70	1.16	1.10	1.33	1.25
Armenia	4,354	1,081	644	1,327	278	1,024
	0.29	0.41	0.31	0.24	0.15	0.34
Azerbaijan	28,073	6,811	5,070	6,027	5,206	4,959
	1.86	2.58	2.44	1.09	2.83	1.65
Turkmenistan	12,537	2,825	3,200	2,101	2,611	1,800
	0.83	1.07	1.54	0.38	1.42	0.60
Uzbekistan, Tajikistan	42,772	12,117	7,439	9,843	6,475	6,898
	2.83	4.59	3.58	1.78	3.52	2.29
GRAND TOTAL	1,509,950	263,980	207,792	552,986	183,934	301,278

* First line—wt., second—%

Table 1 (continued).

States	Distribution of inventoried freight car fleet with 8-symbol numbering by states					
	Total Others	Including				
		Cement carriers	Container carriers	Pipe carriers	Grain carriers	The rest
Russia	185,986	49,718	15,327	21,518	39,901	59,522
	61.73	62.84	67.68	61.13	58.65	61.82
Ukraine	56,328	12,058	2,826	6,604	13,034	21,806
	18.70	15.24	12.48	18.76	19.16	22.65
Byelarus	9,920	4,597	564	1,317	1,313	2,129
	3.29	5.81	2.49	3.74	1.93	2.21
Estonia	2,331	1,044	57	229	694	307
	0.77	1.32	0.25	0.65	1.02	0.32
Latvia	3,190	641	127	503	1,089	830
	1.06	0.81	0.56	1.43	1.60	0.86
Lithuania	3,624	1,424	152	598	864	586
	1.20	1.80	0.67	1.70	1.27	0.61

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Table 1 (continued).

States	Distribution of inventoried freight car fleet with 8-symbol numbering by states					
	Total Others	Including				
		Cement carriers	Container carriers	Pipe carriers	Grain carriers	The rest
Moldova	3,555	1,029	290	725	769	742
	1.18	1.30	1.28	2.06	1.13	0.77
Kazakhstan	17,450	4,407	1,438	1,588	5,463	4,554
	5.79	5.57	6.35	4.51	8.03	4.73
Kyrgyzstan	453	31	54	52	211	105
	0.15	0.04	0.24	0.15	0.31	0.11
Georgia	3,760	775	419	285	1,211	1,070
	1.25	0.98	1.85	0.81	1.78	1.11
Armenia	1,024	625	95	141	163	0
	0.34	0.79	0.42	0.40	0.24	0.00
Azerbaijan	4,959	823	399	549	1,285	1,903
	1.65	1.04	1.76	1.56	1.89	1.98
Turkmenistan	1,800	245	247	186	476	646
	0.60	0.31	1.09	0.53	0.70	0.67
Uzbekistan, Tajikistan	6,898	1,701	652	906	1,558	2,081
	2.29	2.15	2.88	2.57	2.29	2.16
GRAND TOTAL	301,278	79,118	22,647	35,201	68,031	96,281

Thermal cars and transporters are to be distributed in a different way, through assigning each state a proportion of the balance value and setting up interstate production associations for utilization of these types of rolling stock.

In contrast to the railcars, containers were distributed according to the results of the work of the railroad network in 1991, since in this period the conditions for the operation of the container fleet changed substantially.

The total available containers on each railroad on the average per 24-hour period were determined on the basis of report KEO-4. The total available containers included four categories of inventory: the working park, the defective container park, the reserve and the exchange park. Because of the fact that in 1991 the container inventory was taken in dual calculation (in conventional and physical units), all the calculations were made in conventional calculation. The container park share of the Russian railroads was 65.67 percent.

All the railcars and containers acquired by the sovereign states, beginning on 1 October 1991, are not subject to dividing up and are the property of the corresponding states. Until the dividing up of the railcar fleet is completed, the cars paid for by Russia after 1 October 1991 were to be operated within the limits of the Russian railroads. They were to bear the initials of Russian Federation property.

All freight cars of the inventoried fleet manufactured before 1 October 1991 are subject to dividing up, except for thermal, transporter and highly-specialized cars. The

list of highly specialized cars includes cars of types 906, 924, 968, 972, 919, 914 and 362.

Each freight car is characterized by certain technical and strength parameters, residual life and balance-sheet value. Division by number should ensure each state equal opportunities of receiving an "average-network" car as property. For this purpose, the division of the fleet is carried out "layer by layer"—separately for each type of car, manufacturing plant (which describes the structural features and the balance value) and year of manufacture of the car (describes its residual life) in proportion to the approved shares of ownership of the states in the inventoried fleet.

On 20 May 1992, the RF MPS GVTs [Main Computer Center], on the basis of the road index-cards, created a machine car number information base, including the data on all the cars subject to dividing up. According to the results of the by-number division of the fleet, computer lists will be compiled of the numbers of the freight cars transferred to the ownership of each state. After the formalizing of the State acts on dividing up the fleet (this is preceded by approval of the Decision, signed by the presidents of the independent states), the lists of number affiliation of the cars are transferred on magnetic tapes from the GVTs to all the railroad administrations of the independent states.

The RF MPS GVTs sets up an information base on the containers of the total inventoried park, for which the lists of the containers are transferred from the road book registers VU-63K to magnetic tapes.

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The last list of containers, made in 1990, did not encompass all the containers (no inventory was made for three maritime and river shipping companies, and containers abroad were not fully inventoried). On this basis, by decision of the Council on Railroad Transport, the containers subject to quantitative dividing up were either approved or not approved by inventory, but registered in the VU-63K books. The division was made by shares determined on the basis of the actual use of the operational park of containers according to the results of the work of the railroad network in 1991. As a result of the dividing up, a container park of 865,245 units will be registered to the railroads of Russia, including 320,055 units approved by the inventory, of which 55,862 were large containers.

The RF MPS GVTs made a by-number division of all the containers, with compilation of reference books on the affiliation, for the guidance of the owner-states, so that, under the conditions of joint use of the containers there is a unified policy on problems of organizing their repair.

As the result of the by-number division of the freight car fleet, the MPS GVTs gave each owner-state a taped list of the numbers and all the available specifications of the cars belonging to it. The data base, which contains a unified list of cars, with indication of their owners, was transferred to the MPS Main Computer Center for all the participants in the Agreement and is used by the roads' automated transport operations control system (ASOUP), in organizing the operation and repair of the cars, to determine the owner-state of the car by number, and also to analyze the structure of the railcar fleet in order to work out a strategy for updating it and for other purposes.

Every executive officer, when necessary, should have access to this information through the ASOUP terminals. Workers at stations, railcar depots and technical service centers are granted the opportunity of efficiently entering into the road ASOUP the lists of railcar numbers for which the computer, according to the data base, determines and communicates the information on the states having these railcars as property.

If the specific depot or center preparing or servicing the cars has no ASOUP terminals, the nearest station on the road which has links with ASOUP must be determined, and telephone transmission of the queries organized, for input to the ASOUP and receipt of the return information. It was determined that, after division, all the cars should have the designation of the owner-state in the form of a two-symbol digital number. For Russian railroads this number is "20." RF MPS cars will also have the letter designation of the Russian railroads—"RZhD," inscribed on them.

State	Code number
Azerbaijan	57
Armenia	58
Byelarus	21
Georgia	28
Kazakhstan	27
Kyrgyzstan	59

State	Code number
Latvia	25
Lithuania	24
Moldova	23
Russia	20
Tajikistan	66
Turkmenistan	67
Uzbekistan	29
Ukraine	22
Estonia	26

The digital designations of the owner-state will be inscribed on the bodies of the cars in accordance with the approved documentation on the railroads of the user-states, regardless of the affiliation of the cars. The number of cars and specific periods for operation are established by the Council on Railroad Transport.

It is intended that in practice the digital designations will be inscribed on the bodies of the cars within three months of the roads' obtaining information on the number of the affiliation of the cars.

All roads and all car depots must perform all the necessary preparatory work (including study, with the participation of the workers, of the documentation drawn up, preparation of stencils, etc.). Fig. 3 shows the procedure for inscribing the conventional designations on the body.

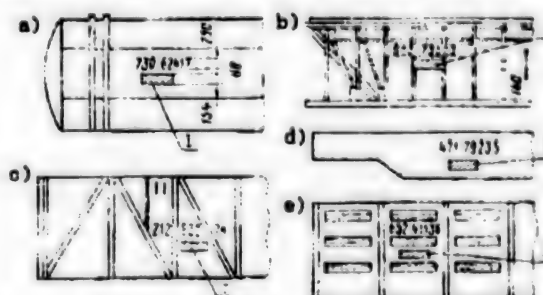


Fig. 3. Procedure for inscribing the conventional designations on the body of the cars:

1—place for inscription of the code number: a—tank car; b—hopper; c—boxcar; d—flatcar; e—gondola

At present the road network has over 160,000 defective cars just as a residue. Given the overall reduction in the transport volume and the required number of cars in the operating fleet, the user-roads feel no urgent need to restore the operability of the cars. Therefore, after completion of the numbered division of the fleet and the transfer to the railroad administrations of the lists of number affiliations of the cars, within 42 days, cars of all types with already expired periods of planned repair are relocated to the roads of the owner-states, as well as cars having the following defects for:

Gondolas—one or more door leaves or manhole covers missing;

Boxcars—one or more doors or 50 percent and more of the floor boards missing, or damage to an end wall requiring a large amount of repair;

Flatcar—50 percent and more of the floor boards missing;

Cement carriers—loading-unloading devices missing.

Before the operating relocation started, the railroad administrations determined the possibility of organizing planned repair of their own cars at their own car repair base and, if there was a lack or shortage of these bases, they concluded direct bilateral contracts with other states which had an excess of car repair base capacity. The railroad administrations of all the member-states of the Agreement were informed that the contracts had been concluded (with indication of the code of the receiving station for cars sent for repair) to ensure that the defective cars were relocated to the repair site.

After the lists of number affiliations of the cars were transmitted to the railroad administrations, each of them determined the actual presence of the number on its network of cars subject to relocation, and informed the owner states of the quantity, technical condition, location site and number.

Cars are relocated empty or loaded with on-going freight in accordance with the plan for making up trains by complete freight documents, after the owner-state code has been inscribed on the body of the car being relocated with a chalk mark.

Interstate and inter-road junctions carry out routine by-number tracking of the relocation of the cars by means of automated control systems at the road-network level. If a railroad administration refuses to accept its own cars or there is a delay of the cars being relocated following after it in transit, the administration is fined.

The responsibility for late transfer of defective cars to the owner-state is defined. It consists of the fact that cars not transferred through the fault of the user in the course of the established period of relocation will be restored by the party guilty of disrupting the transfer.

In parallel with the relocation, the railroad administrations ensure that the documents that they have available for the cars (form VU-4) are transferred to the new railcar owners.

An important stage in preparing for relocation of a railcar fleet is determining the actual presence by number of the defective cars and organizing the precise work of the interstate transfer stations.

Decisions should be made at the interstate transfer stations on the defective cars which are Russian property and arrive from contiguous owner-states. In this case it is possible to direct these cars to the repair enterprises of Russian railroads, make commission decisions on eliminating them from the inventory on the basis of their technical condition, etc.

Basic decisions on the system of joint use of railcars. With a view to complete and prompt satisfaction of the need for the transport of freight in internal and interstate service, efficient use of freight cars and ensuring their safeguarding, the Council on Railroad Transport decided to

organize the work of a common fleet, using for transport in interstate service all the cars satisfying the requirements formulated and set forth below, and to use cars in any member-country of the Agreement to transport freight to any other country also participating in the Agreement on Joint Use of Railcars.

The system for joint operation of the railcar fleet is based on dividing up responsibility:

The railroad of the railcar's owner-state ensures prompt fulfillment of planned repairs (depot, major);

The user-railroads should adhere precisely to the regulations for technical operation, performing all the operations for between-repair service of the railcar fleet.

Operating railcars in joint use is based on a unified traffic schedule and plan for making up trains, and a procedure for the direction of the car flows in interstate service.

Information on the size of the internal freight car fleet of the member-states of the Agreement is concentrated at the RF MPS GVTs, for which purpose the railroad administrations of the states regularly provide information on number changes in the railcar fleets.

Joint use on the railroad network is permitted for freight cars having a clearly inscribed single 8-symbol numbering and designation of the owner state in the period of their normal service life, of the established between-repair periods, which fully meet the requirements of the Regulations for Technical Operation and other normative documentation approved by the former USSR MPS.

It is impermissible to transfer cars in interstate service with mutilated numbers or existing technical defects.

All these requirements also extend to cars belonging to industrial enterprises and other organizations of the member-states of the Agreement, when they are used in interstate service.

An important condition for joint operation of railcars is ensuring their safeguarding. The requirements for safeguarding are determined according to GOST 22235-76, "Railroad Mainline Freight Cars with 1520 mm Gauge. General Requirements for Ensuring Safeguarding when Performing Loading-Unloading and Shunting Operations."

The owner-state bears full responsibility for acquiring new rolling stock, performing planned types of repair and updating the cars, and also for making the decision to eliminate them from the inventory.

Border transfer stations and organization of their work.

"The Standard Technological Procedure for the Work of an Interstate Transfer Station and Border Control Point" has been drawn up and sent to the railroads. The Agreement on Joint Use of the Freight Car Fleet specifies organizing the receiving and delivering of railcars and containers in transport between sovereign states, including technical, commercial, customs and border control, recording the crossing of railcars and containers, and financial clearing accounts.

The unified railroad network was formed without taking into consideration the factor of boundaries between the republics, as the result of which many border crossings are located on railroad lines bounded by intermediate stations. There were no generally accepted decisions on organizing work at border crossings (similar to the Brest-Malasheviche and Chop-Chiyerna-Zakhon complexes, with technically developed station complexes located directly on both sides of the border and comparatively small transfer volumes) at the boundaries between the sovereign states, and it does not seem possible to set them up in the foreseeable future. Under these conditions, the need arises to seek decisions on organizing the recording of the transfer of railcars and containers between sovereign states, including customs and border control, precise recording of the crossing of the cars and financial clearing accounts, oriented toward the situation that has formed. It is also characterized by the fact that the political and economic interrelations between the states lead to the different legal content of the border functions—from the "transparency" of the borders to full customs and border passport control.

General decisions for the technology of the work of junctions have been worked out for three variants of control functions:

- 1) At "transparent" borders, when the existing technology for transferring the railcars between railroads is supplemented only by the requirements for ensuring increased precision in recording the crossing of cars and containers and the more rigid requirements for their technical and commercial condition;
- 2) Supplementing the conditions of the first variant with customs functions and document control for freight, including licenses and permits for the right to export;
- 3) Performing the operations of border and customs control of passenger trains and selective schedule control of freight in freight train consists.

As the control becomes stiffer, the stations' processing ability is reduced, and the requirements for their technical outfitting increase.

The proposed technological decisions are based on assigning each traffic route pairs of interacting stations for each border crossing (Fig. 4)—a border control point, restricting the line intersected by the state border, and an interstate transfer station, assigned, by agreement of the administrations of the parties to the delivering or receiving party, which carries out the receiving-delivering of trains traveling across the border.



Fig. 4. Border control complex:

1—border control point; 2—interstate transfer stations

Depending on the specific conditions for the agreement of the parties:

The receiving-delivering of the trains (railcars and containers) in both directions of traffic may be carried out at the technical station of one party, with the attachment to it of representatives of the contiguous railroad;

With inadequate technical outfitting and large volumes of transfers, the receiving-delivering of trains for the same border crossing may be organized at several technical stations, which form a border transfer zone;

One transfer station can operate for two and more border crossings.

In any case, when a border control complex is organized, the parties should ensure unimpeded throughput and traffic safety for the trains.

The farther into the interior of the territory of the delivering or receiving state the transfer station is located, the keener the problems of ensuring the safeguarding of the freight received and the technical state of the rolling stock received (guard escort, train technical personnel or the requirement of moving to the border without stops).

For each border direction, it is advisable to carry out the operations of transferring railcars and containers in the technical, commercial and customs respects and making out the documents by means of united comprehensive teams of the contiguous states at the interstate transfer station of the delivering party.

The transfer of railcars, containers and dismountable railcar equipment between the railroads of the parties is formalized by a transfer train list, which is made out in the Russian language by the delivering party in four copies—two copies for each party.

In performing the operations of delivering and receiving the trains separately at the interstate transfer stations of the delivering and receiving parties respectively, the train transfer list, compiled on the delivering road, is forwarded to the transfer station of the receiving road.

The transfer train lists should have continuous numbering from the start of the calendar year.

The following form of list is recommended (see Table 2).

The border control (junction) point reports the time of a train's actual crossing of the state border to the interstate transfer station. Upon agreement of the parties, this time may be interpreted as the time of the train's proceeding (dispatch) across the border control point of the delivering or receiving party and is determined according to the train dispatcher's traffic schedule. This time is recorded on two copies of the transfer train list (the train's schedule) and it determines the time of transferring the train, used in the settlements of the rolling stock fleets and in the clearing operations for use of cars and containers.

Interstate transfer stations may be organized on the basis of the section or sorting stations closest to the border.

Table 2.

TRANSFER TRAIN LIST NO.

Transfer from station to station of train No

No. t/t	Number of car	Station of dispatch	Station of destination	Code of freight	Weight of freight	Inscribed number	Container* number	Note
1	2	3	4	5	6	7	8	9
3 sym.	8 sym.	5 sym.	5 sym.	5 sym.	4 sym.	9 sym.	11 sym.	4 sym.

TOTAL: Cars

Containers

loaded/empty,
incl. KP _____
PV _____
PL _____
TsC _____
isothermal,
incl. refrigerator
ARV _____
other _____

loaded/empty,
incl. KT _____
CT _____
40F _____

Detachable equipment and
attachments by types:
grain shields _____
ropes _____
tie pieces _____
sets of military
equipment _____

Stamp of railroad
receiving

Stamp of railroad
surrendering

Signature of agent
receiving

Signature of agent
surrendering

* Column 8 also records information on detachable attachments -- one letter and three digits (number of attachments).

Track development and the station devices necessary to perform the technical and commercial operations at interstate transfer stations should meet the norms of the existing SNiP and IPSU [Information-Planning Control System].

In addition, the devices ensuring the performance of commercial and customs operations should be specified, and tracks should be assigned for holding and repair of defective and other railcars not accepted by the other party. The latter should have convenient communication with the tracks on which the train receiving-delivering operations are carried out.

An interstate transfer station should have track development appropriate to the work volume and the necessary mechanisms to perform reloading operations, and repair and service of railcars and containers.

Depending on the technology adopted, the existing technical outfitting of the stations and the transport volume, the number of transfer station entry and exit tracks assigned for working with trains and railcars being transferred across the border, not counting the main and running tracks to ensure unimpeded train traffic, should be no less than the number given in Table 3.

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Table 3

Amount of traffic, trains/day	Required number of tracks when handling, by variants of control functions					
	by one team			by two teams		
	1	2	3	1	2	3
Up to 10	2	2	3	2	2	2
11-20	4	4	5	3	3	4
21-30	5	6	8	4	5	6
31-40	7	8	10	5	6	9
41-50	9	10	13	7	7	11
51-60	10	12	15	8	9	13

Note: 1. The first variant of the control functions—"transparent" borders, the second—customs control of documents for the presence of licenses to export freight, the third—total volume of customs and border control operation.

2. When making out the tables, the time of servicing a train which is made up of receiving-delivery operations (0.5 hrs), the turn-around time (according to the norms for railcars for a train made up of 60 railcars, depending on the number of teams) and the average time awaiting dispatch (0.5 hrs) are taken for calculation. The time available for using the tracks is 0.5 of the total.

3. The norms in the table are given for variants, in the fleets of consists being prepared, of air supply systems to test the automatic air brakes. If there are no air supply systems, corrections should be entered in the calculations for the train's additional time on the track.

To perform the registration functions, the information service at the interstate transfer station should actuate at least two ASOUP terminal stations, equipped with personal computers. It is permissible to use electronic tele-types for these purposes as a temporary measure.

The condition and technical outfitting of interstate transfer stations should ensure train traffic safety, perform the amount of traffic agreed upon by the parties, operations for receiving, dispatching and remaking up and making up the trains, and perform operations involved in technical and commercial inspection of the trains, as well as border, customs, medical-sanitation, sanitary quarantine and other operations pertaining to the implementation of direct railroad service.

If the station cannot perform the proposed work because of its technical outfitting, the following measures should be taken:

Organize additional receiving-delivery of trains at nearby technical stations, by agreement with the technical stations of the contiguous party;

Reduce the amount of transfer, redistributing some of the work to less heavily loaded border crossings;

Approve and carry out simplification of control operations with consists;

Develop and modernize the station devices.

The basic technological methods and elements of processing in accordance with standard technological processes for the work of sorting and section stations are maintained to process transit trains and trains of its own make-up being transferred across the border.

Additional special features of processing consists are called for by:

The coinciding of the operations of delivering-receiving trains, railcars and containers, and their performance by combined comprehensive teams for technical and commercial inspection, customs and border control, with joint filling out and signing of the documents;

More rigid conditions and requirements for the technical and commercial condition of cars and containers being transferred across the border, and increased normative time for performing the operations;

Customs and border control operations performed parallel with the operations of technical and commercial inspection;

The need to achieve great accuracy of the by-number registration of the transfer of railcars in interstate service.

The number of PTO [technical inspection point] workers is established in accordance with the Standard Technically Substantiated Norms, approved by the MPS TsV.

The number of repair teams in the arrival and dispatch parks and their size depends on the number of trains being processed and the intervals of their arrival and dispatch. The number of teams, groups and the total number of workers servicing a train at an interstate transfer station, with different conditions for customs and border control, are given in Table 4. A team performing commercial inspection of train consists should include: a train receiver-deliverer (team leader, senior receiver-deliverer and receiver-deliverer) and a worker to eliminate commercial defects.

Table 4

Control function variant	Amount of traffic, trains/day	Normative number of PTO workers at interstate transfer stations					
		team	groups in team	workers in group from party		total staff of PTO from party	
				delivering	receiving	delivering	receiving
"Transparent" borders	Up to 10	1	1	3	1	24	4
	11-20	1	2	3	1	36	8
	21-30	1	2	5	1	60	8
	31-40	2	2	5	1	100	16
	41-50	2	2	5	1	100	16
	51-60	3	2	5	1	140	24
Customs control of documents for presence of license to export freight	Up to 10	1	1	3	1	24	4
	11-20	1	1	3	1	24	4
	21-30	1	2	3	1	44	8
	31-40	1	2	5	1	60	8
	41-50	2	2	5	1	100	16
	51-60	2	2	5	1	100	16
Full volume of customs and border control	Up to 10	1	1	3	1	24	4
	11-20	1	1	3	1	24	4
	21-30	1	1	3	1	24	4
	31-40	1	2	3	1	44	8
	41-50	1	2	5	1	60	8
	51-60	2	2	5	1	100	16

Notes: By occupation, a group made up of two persons consists of an inspector-repairman for the cars and containers, combining the occupations of repairman for the railcars and containers and repairman for the automatic air brakes. A group of three persons consists of two inspector-repairmen and a repairman for railcars and containers with the combined occupation of repairman for the automatic air brakes.

A group of five persons consists of a senior inspector, two inspector-repairmen, a repairman for the automatic air brakes and a repairman for the railcars and containers.

The total staff of the PTO of the delivering party, in addition, includes workers of the production subdivisions, the seniors of the shift and operators.

The staff of PKO [commercial inspection point] workers is given in Table 5.

Table 5

Work volume of fleet, trains/day	Normal number of persons	Work volume of fleet, trains/day	Normal number of persons
Up to 10	2	64-70	12
11-16	3	71-78	13
17-21	4	79-87	14
22-26	5	88-97	15
27-31	6	98-107	16
32-37	7	108-117	17
38-43	8	118-128	18
44-49	9	129-140	19
50-56	10	Over 140	20
57-63	11		

The time of a train's crossing the border is recorded at the border control point of the delivering party. Information on this should be immediately transmitted to the interstate

transfer station of the delivering party. The delivered train is accepted for registration of transfer across the border and for clearing operations for use of the railcars and containers only if there is both a schedule (transfer train list) for the consist accepted and documentary notification of the train's crossing the border.

The stations at which the operations of delivery and receiving of the railcars and containers, filling out the documents and registering their crossing between states should be performed are determined for each border crossing, in each direction of traffic, by agreement of the parties. The transfer stations should be organized on the basis of the technical stations closest to the border which have the necessary number of tracks and devices to perform the technical, commercial, customs and border operations, and repair and holding of the railcars.

To reduce the time and eliminate the return run of unaccepted railcars, it is desirable to organize the receiving-delivering of trains jointly at the delivering side by comprehensive teams including representatives of both parties.

The time of presenting the railcars for transfer and the time of completing the technical and commercial inspection and customs inspection are verified by the signatures

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and date stamps of both parties. The railcars are considered to be accepted from the moment the train transfer lists are signed by the representatives of the accepting party.

Railcars and containers against which the receiving Party presents claims concerning their commercial or technical condition (except for empty cars traveling for repair with complete transport documents), if the condition cannot be eliminated without uncoupling, should be uncoupled from the consist of the delivering Party in undisputable procedure. If the claims are presented against a container and they cannot be eliminated without uncoupling, the railcar is subject to uncoupling.

When the operations of delivering and receiving trains at interstate transfer stations are performed, the train transfer list of the delivering and receiving parties respectively (when necessary), after inspection of the train arriving on the receiving road, is corrected by the receiving party, and the information on the unaccepted railcars and containers is transferred to the delivering party no later than the period agreed upon by the parties. In this case the unaccepted railcars and containers are not counted in the clearing operations of the parties. The unaccepted railcars and containers should be returned to the delivering party within the period agreed on by the parties. Upon agreement of the parties, the elimination of the reasons for non-acceptance of a railcar or container may be implemented on the receiving road at the expense of the delivering road.

When disputes arise, the position of the receiving party has operational priority. Disputes arising in the future should be resolved by bilateral commissions.

The general guideline norms for time, which ensure performance of the technological operations at an interstate transfer station, for the three variants of control functions singled out are, respectively:

1 minute for a physical car and an additional 5 minutes for trains having at least 5 cars with loaded containers, when working on the principle of "transparent" borders;

1.5 minutes for a physical car and an additional 10 minutes for trains having at least 5 cars with loaded containers, with customs control of documents;

2 minutes for a physical car and an additional 15 minutes for trains having at least 5 cars with loaded containers, with full customs and border control.

The technological process for station PTO work should rule out the possibility of transferring to the road of a contiguous state technically defective railcars and those not meeting the requirements of the Agreement on Principles of Joint Use of Freight Cars in Interstate Service through:

Technical service (TO) of railcars in a consist of trains, as well as empty ones, during comprehensive preparation for transport without their uncoupling from the consists or groups of railcars;

Routine repair (TR-1) of empty railcars during comprehensive preparation for transport, with uncoupling from the consists or groups of railcars and transfer to special tracks;

Routine repair (TR-2) of railcars, with uncoupling from the consists of trains.

Technical service is performed in the arrival yard (checking the technical condition in order to reveal all the defects in the railcars which require routine uncoupled repair, and reveal railcars which, by their specifications, are not subject to transfer to the road of the contiguous state) and in the dispatch yard (repeat checking and repair of railcars not requiring uncoupling from the consist or group of railcars). Routine uncoupled repair (TR-1 and TR-2) is performed on specially assigned tracks.

Particular attention should be paid to preparing new border transfer stations, their technical outfitting and training personnel for work under the new conditions on the roads.

Making up the transport. Clearing operations for the use of railcars. The transport of freight in through railroad service between all stations open for freight operations should be carried out on the basis of the transport documents in force.

A new factor in the document formalization of transport is that SMGS [International Railroad Freight Tariff Agreement] transport documents will be used in railroad service between individual states. In this case, column 8—"Road and station of destination"—must indicate the code of the unified network marking (YeSR) of the unloading station which is in force. Column 7—"Border station of crossing"—should record the YeSR code of the border crossing station. At the same time, the YeSR code of the unloading station should be indicated in the train's schedule.

Clearing operations for the use of freight cars in joint use should be carried out by the balance-sheet method, for the general presence of the fleet of cars, including those belonging to industrial enterprises and organizations which have the right to exit onto a track for general use. The settlements are made at unified rates for a railcar-day (in rubles or other currency units, on the basis of intergovernmental agreements), when the size of the quota of the states participating in the Agreement is raised. In this case the quota is established by the railroad administrations in the form of the total of the fleets assigned from the inventory of railcars of the former USSR MPS, in accordance with the proportions agreed upon, and also the fleet of the enterprises' and organizations' own railcars, determined according to the same proportions. This procedure of clearing operations is approved by the Council on Railroad Transport for the transitional period, until the introduction of an automated railcar number registration system for interstate border crossing stations is completed.

Clearing operations are carried out between railroad administrations through the accounting bureau of the Board of the Council.

A change in the daily fleet of railcars at the disposal of a railroad of an Agreement member-state (+/- $\Delta\Pi_i$), for

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which the calculation of the payments is made, is calculated according to the formula:

$$\pm \Delta \Pi_i = \Pi_{i-1} + \Pi_{in} - \Pi_{ic} - \Pi_k,$$

where Π_k is the quota of the fleet of freight cars of an Agreement member-state for their combined use; Π_{in} is the receiving of the railcars (loaded and empty) in interstate service (according to the data of report Form DO-1); Π_{ic} is the delivery of the railcars (loaded and empty) in interstate service (according to the data of report Form DO-1); Π_{i-1} is the actual balance-sheet presence of the railcars for the preceding days ($i - 1$).

The presence of the fleet, and receiving and transfer of railcars, are recorded daily on the basis of the "Report on the crossing of railcars through inter-road junction points"—Form DO-1—which is in force. The procedure for filling out and submitting the report of this form is determined by the instructions in force on maintaining it.

The IVTs of the railroads correlate the data of Form DO-1 by border crossing stations and transmit them to the railroad administration and the RF MPS GVTs. The MPS GVTs, on the basis of the data obtained from the IVTs, daily determines the change in the fleet by types of railcars on the whole for each railroad administration, at the same time ensuring their complete balance. After this, the final information is submitted to the Council Board.

The Rules for clearing operations for the use of freight cars specify the conditions under which the railroad administrations are released from making payments for delay of freight cars on their own railroads.

The rates of payment (rubles/railcar-day) for use of the fleet of railcars for joint use on the railroads of the Agreement member-states are determined by types of cars in accordance with the following formula:

$$C_B = k_3(\Pi\lambda - k_1/O_B),$$

where $\Pi\lambda$ is the carriage charge according to the Tariff Manual N1 (Price list N10-01) for the corresponding type of railcar on an average loaded run, in rubles/railcar; k_1 is the coefficient of change in the level of the tariff, established for the carriage charge in the current period as compared with the 1990 level; O_B is the turnover of the railcar of the corresponding type, in days; k_3 is the coefficient allowing for the condition of the freight car fleet (surplus or shortage of the corresponding type of car of the Agreement member-states), $0.5 \leq k_3 \leq 1$.

These rates should ensure the covering of the expenses of the railroad-owners of the cars for full restoration (on the basis of their new value)—depreciation, modernization, and fulfillment of planned types of repair, and should also compensate for the loss of revenues due to the impossibility of using them, for reasons dependent on the railroad of the other state.

The Council on Railroad Transport approved the rates of payment for use of railcars in accordance with the condition on 1 March 1993. In the future they will be indexed on the basis of the change in the level of tariffs for freight transport in interstate service.

Technical service and repair of railcars. The operable condition of cars and containers in the technical and commercial respects should be ensured by a system of technical service and repair, unified for the railroads of the Agreement member-states, based on the planned-preventive principle and repair-operating documentation approved by the Council on Railroad Transport. The action of the existing system of repair and normative-technical documentation, Regulations, Instructions, Orders and Directives issued by the former USSR MPS will be maintained in the transitional period (up to 1995).

The planned types of railcar repair and modernization should be carried out by the forces and resources of the railroad administration of the owner-state, and should guarantee safe operation until the next planned repair, on condition of adherence to the established regulations for technical operation of the railcars. If the railcar repair base has a shortage of capacities, the railroad administration of the owner-state ensures the planned repair of its railcars on the basis of direct contracts.

Railcars being sent for planned repair should be transferred to the railroad of the owner-state no later than the expiry date of the between-repair period. The course of turning over the railcars for repair will be tracked by using automated control systems at the road-network level, and in this case the railcars, a month before the expiry of the between-repair period, should be sent to the repair center or loaded for the route to its repair site. The decision on postponing planned repair is made only by the railroad administration of the owner-state of the railcar, with this information inscribed on the railcar body. It is permissible to operate the railcar in the period of postponement only in intrastate transport.

Technical service and technical repair of railcars and containers is carried out by the forces and resources of the railroad administration of the user-state, on whose territory the need has arisen to perform them.

Damage to railcars and containers revealed at the transfer stations is eliminated by the forces and resources of the railroad administration of the delivering party. If a railcar is used to transport freight which causes a reduction in its normal service period or damage necessitating its elimination from the inventoried fleet, as well as if the railcar is lost, the railroad administration of the user-state compensates for the damage caused the railroad administration of the owner-state in physical or cost terms. The decision on the form of compensation is made by the railroad administration of the owner-state. The railcar is considered to be a loss if the railroad administration of the user-state cannot confirm by document its return or transfer to a third state.

A railcar or container is eliminated from the inventoried fleets only by decision of the railroad administration of the owner-state and, as a rule, on its territory.

After the railcar fleet is divided up, in preparing the railcars for loading, the assignment of the railcars for loading must be guided by a number of additional conditions, determined by the "Agreement on the Principles of Joint Use of Freight Cars in Interstate Service," adopted by the Council on Railroad Transport:

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- 1) The planned-preventive system of railcar repair is maintained. Information on the time of the next planned repair of the railcar must be inscribed on the side of the railcar. Railcars forwarded for repair should be transferred to the railroad of the owner-state no later than the date of expiry of the between-repair period:
- 2) The railroad administration of the owner-state is permitted to postpone the performance of the planned repair. Information on this must be inscribed on the body of the railcar. In the period of postponement, it is permissible to operate this railcar only in the internal transport of this state;
- 3) Operations to transfer trains and railcars to border transfer stations specify that a railcar being transferred because of its technical condition should fully meet the requirements of the PTE [Regulations for Technical Operation of USSR Railroads] and other normative documents approved by the former USSR MPS, should have a clearly inscribed single 8-symbol numbering and established designation. It is impermissible to transfer to interstate service railcars with mutilated numbers (or those with technical defects). Failure to adhere to the conditions stemming from these requirements can lead to substantiated refusal of the railcars by the receiving party, causing difficulty in the work of the border transfer stations and additional operating and financial losses.

Special features of organizing railcar flows and use of ASU. In accordance with the Agreement concluded, the railroads retain the existing system of using the railcar fleet, based on a unified traffic schedule and a plan for making up trains on the basis of the conditions related to the boundaries between the states.

In the plans and assignments for by-stage routing of transport, the zone of origin and the zone of discharge of the by-stage route should be within the limits of the railroad network of a single state. Compilation of the plan for making up freight trains is to be continued in accordance with the existing technology. The make-up plan will have no assignments combining railcars addressed to a station before and after a border junction station, and all local trains will as a rule operate only up to the border on border sections.

The assignment of additional destinations for freight trains in interstate service is to be formalized by bilateral contract-agreements, with payment for additional sorting and train work and the attendant increase in the railcar fleet.

The assignments being formulated for freight trains in interstate service are coordinated. It is intended that the practice of issuing booklets on the plan for making up freight trains will be maintained, and that the booklets will coincide with the introduction of a new train traffic schedule. It was agreed to hold, in Moscow, a congress of engineers-traffic workers of all the railroads of the Commonwealth member-states, Georgia, Latvia, Lithuania and Estonia, to work on compilation of a train traffic schedule for the new period.

With joint operation of railcars, under the conditions of their being divided up by owner-states, precise recording

of the crossing of railcars, containers and commercial devices between states at border crossings, the transmission of data to the processing center to calculate the balances of fleets of railcars and containers, and mutual payments should be organized.

The basic initial recording documents are: the train schedule (DU-1); the transfer train list; information on repair of a railcar (VU-23); the accompanying form for sending a railcar for repair (VU-26); information on container repair (VU-23k); the manual of train and locomotive traffic (DU-3); the balance log of the railcar and container turnover of a station (DU-4); the record book of the idle time of railcars at a station (DU-8, DU-9).

To ensure reliability and unified methodology in the record, all the transfer stations are to be outfitted with automated work places for the freight transfer agents (ARM SPV), working in interaction with the road ASOUP. The software complexes for ARM SPV are being developed by the PKTB ASUZht [Planning-Design and Technological Bureau of the Automated Railroad Transport Control System] and the IVTs of the October Railroad.

Preliminary information on the consist of a train in interstate service should enter ARM SPV from ASOUP in the form of an updated telegram-schedule (TGNL), which contains additional information on the owner of the railcar, and also the disclosure of errors in the numbering of the railcar (incorrect or double number on the car, lack of the car number in the file-card). This information is necessary, since, by decision of the Council on Railroad Transport, it is forbidden to transfer across the border both technically defective railcars and railcars with incorrect numbering on the side.

Upon arrival of a train, ASOUP compiles, on the basis of the schedule, the necessary work documents for the group of agents taking part in its processing, and also the blank form to be processed to make up the transfer train list (PPV).

Information on railcars that require uncoupling for technical or commercial reject or for the requirements of the customs agents, is submitted to the ARM SPV and noted on the blank form of the PPV. Information on coupled railcars is entered there. The corrected TGNL and PPV are transferred to the ASOUP of the contiguous road for use in receiving the train.

The schedule, after information is received from the border control point on the actual transfer of the train across the border and is entered in ASOUP, is the basis for performing the automated operations for recording and maintaining the ASU devices as a model for allocation of the railcar fleet.

Under automated conditions, all the interstate transfer stations, using PEVM [personal computers], transfer the data from the transfer train list to the processing center (RF MPS GVTs).

The processing center:

Carries out logic control of the correctness and completeness of the input data, by comparing the information from the interstate transfer stations of the delivering and receiving railroads;

Determines the amount of railcar transfer (by type) and containers (by types) between roads;

Carries out the by-number registering of the presence of railcars by railroad administrations of the sovereign states;

Carries out clearing operations for the use of railcars and containers.

To support the new system of railcar fleet operation, the MPS GVTs and PKTB ASUZhT develop an information-reference system for determining the owner of the railcar and an automated system for tracking the appearance, forwarding and repair of defective railcars and railcars that require planned repair.

The systems should ensure:

Output, upon request, of data on the owner of the PTO-detected defective railcars, for their inclusion on VU-23 and inscription on the railcar at the repair depot;

Output, upon request, of data on the destination point of railcars requiring planned repair, for inclusion on VU-26;

Receipt of special information on the writing off, arrival of new, turning over for leasing and return from leasing, on the restenciling and on performance of repair of railcars, to update the by-number basis of the data on the inventoried fleet of railcars.

This requires equipping VChD and PTO with personal computers to prepare information on a change in the condition of railcars, transmit it to ASOUP and obtain the necessary information upon request.

Special features of joint operation of isothermal rolling stock and transporters.

The inventoried fleet of isothermal cars in the keeping of the former USSR MPS on 1 July 1992 is divided up in accordance with the shares of each state, and approved by the official statement of the third session of the Council on Railroad Transport.

The decision on dividing up the fleet of isothermal railcars was made by assigning each state the appropriate part of the balance-sheet value of the fleet. In connection with this, the fleet is to be evaluated and methodology worked out to divide it up according to balance-sheet value. The actual dividing up of the fleet will be carried out after the Council on Railroad Transport of the Commonwealth States approves the methodology. The Board of the Council, VNIIZhT and a work group are charged with preparing the draft of the Agreement on the Principles of Joint Use of the Fleet of Isothermal Railcars, providing for the creation of an interstate association for the transport of perishable freight, with the specialization of the enterprises for repair and operation of rolling stock maintained.

It was decided to retain the existing system for the use and management of the isothermal car fleet and the procedure for its financing, until the time that the association is set up.

With respect to the fleet of transporters and highly specialized railcars, in the first six months of 1993, documentation should be drawn up to create an interstate production

association for the use of transporters and provision of the transport of off-size and very heavy freight.

The proposals approved by the railroad administrations on creating an interstate association for transporters should be submitted by the Board to the Council on Railroad Transport of the Commonwealth of Independent States for consideration.

Approaches to assigning the RF MPS railcar fleet to the railroads. Three variants are possible in assigning the RF MPS railcar fleet to the railroads:

1. Federal ownership, when the railcars belong to the entire RF railroad network, i.e., they are in joint use by all the railroads and are repaired, without any restrictions, by the entire repair base of the RF railroad network. In this case a "sick" railcar is sent for repair to the nearest repair enterprise.
2. Railcars are the property of a railroad and their planned repair is carried out at the repair enterprises of this railroad. For extra-plan repairs, a "sick" railcar is sent to the nearest repair enterprise, and for planned—to the nearest repair enterprise of the given road.
3. Railcars are the property of a railroad and, in turn, are assigned strictly to each repair enterprise of the road. The repair system: for extra-plan repairs, a "sick" railcar is sent to the nearest repair enterprise, and for planned repairs—to the repair enterprise to which it is assigned.

The merit of the second and third variants of possible assignation of railcars to railroads is the fact that the roads and their repair enterprises, as owners of the cars, will carefully carry out the repair and service of their own railcars. On the other hand, important indicators of the operations work of RF railroads deteriorate in the second and third variants of assigning railcars to a railroad, as compared with the first variant.

The different variants of assigning railcars exert a substantial influence on the two characteristics of using railcars, which in turn affect the indicators of the operations work. These two characteristics are: a) the average idle time of the cars awaiting repair (in front of the repair places); b) the average length of the run of an already "sick" railcar en route to its repair enterprise (in the second and third variants this characteristic increases, as compared with the first variant).

Preliminary calculations show that the average idle time for a railcar awaiting repair in the second variant of assigning cars to railroads increases by approximately 2.3-fold as compared with the first variant, and in the third variant—by approximately 17-fold. This has a noticeable effect on the productivity and on the working fleet of railcars. With a fleet of 1 million railcars and a two-year planned between-repair cycle, the additional (through the idle time of a car before repair) railcar fleet constitutes:

For the first variant: $(1,000,000/2) \times (24.4/24)/365 = 1393$ railcars, where 24.4 hrs is the average idle time before repair according to the data for 1991;

For the second variant: $1393 \times 2.3 = 3,204$ railcars with a 1,810 railcar increase in the required fleet;

For the third variant: $1,393 \times 17 = 23,680$ railcars with a 22,288 railcar increase in the required fleet.

The second characteristic—the average length of the run of a “sick” railcar en route to its repair enterprise—may be conditionally compared with respect to the increase in the empty run coefficient. When the turnaround time of a railcar is about 7 days, during the 2 years of the planned between-repair period, the railcar has about 100 loading cycles. With the average transport distance of 1,000 km, the additional empty run to turnaround is 320 km, with the empty run coefficient equal to 0.32, and the conditional increase in the empty run coefficient is compiled according to preliminary calculations:

For the second variant, up to a value of 0.337;

For the third variant, up to a value of 0.340.

Accordingly, there is an additional increase in the turnaround of a railcar and the required working fleet.

A variant for conditional assignment of freight cars to Russian railroads was adopted at the expanded session of the RF MPS Collegium in October 1992. The system of centralized financing of planned types of repair and modernization was retained, as was the centralized system of acquiring new rolling stock.

In connection with what has been set forth, all supervisory workers of the railroad administrations of the sovereign states are faced with the complicated task of working out specific measures to realize the practical decisions stemming from the approved principles for dividing up the inventoried freight car fleet of the former USSR MPS. The difficulty in achieving this task lies in the fact that the practical dividing up of the fleet should not worsen the indicators of the transport process in both domestic and interstate service.

* The results of a study made by VNIIZhT, by agreement with the Board of the Council on Railroad Transport, are presented. The director of the work is Professor V.A. Buyanov; responsible executors, candidates in Science, G.V. Raykov, V.N. Soloshenko; G.Ye. Pisarevskiy, V.A. Sharov, and N.K. Melentyeva, engineer.

POLITICAL AFFAIRS

Commission Chair Oleynik on 'Crimean Issue'

944K2120A Simferopol KRYMSKAYA GAZETA
in Russian 13 Aug 94 p 1

[UKRINFORM report: "Boris Oleynik: I Am Certain the 'Crimean Question' Will Be Resolved in a Peaceful, Constitutional Way"]

[Text] "There is no political basis for the incitement of tension in Crimea itself, unless you consider the individual extremist groups you have in any country"—stated Boris Oleynik, chairman of the Standing Commission of the Ukraine Supreme Council on Foreign Affairs and Relations With the CIS, at a meeting with Conrad Huber and Bruce Allen, representatives of the CSCE High Commissioner on National Minorities Affairs. The latter had arrived in Kiev prior to visiting the peninsula in order to familiarize themselves with the local point of view on this question.

"Our parliament has done everything to resolve this issue through political, constitutional means," Boris Oleynik noted. "And I believe it will continue that way despite the destructive endeavors of certain political forces outside Crimea and Ukraine. One cannot help but note, on the threshold of Boris Nikolayevich Yeltsin's visit to Kiev and the signing of a Ukrainian-Russian agreement, that it would be advantageous to some to stir up tension and try to drag out the process of normalization. The Ukrainian side is strictly adhering to interstate agreements, in particular the trilateral agreement reached by the presidents of Ukraine, the United States, and Russia which, incidentally, precisely stipulates the principle of territorial integrity of states."

Boris Oleynik stated that a joint commission of Ukrainian and Crimean parliamentarians was functioning and that perceptible movement was already being seen in the matter of mutual understanding. "As far as I am aware, the world community has a high assessment of our interethnic concept," the commission chairman stressed. "This concept is based on a striving to resolve all issues through political, constitutional means. We are following this path unswervingly, but there is of course a line no one may cross."

Boris Oleynik noted that constructive forces in Russia are not interested in stirring up tension in Crimea. He emphasized that this was an issue internal to Ukraine. Russia well understands that tranquility in Ukraine determines to a great degree the tranquility that will prevail in neighboring countries and in Europe overall.

In addition, one must not discount such an important issue as the Crimean Tatar question, Boris Oleynik stated in conclusion. Only Ukraine can resolve this in the most optimum fashion, with the help of other concerned states, of course.

Law on Status of Crimean People's Deputies

944K2116B Simferopol KRYMSKIYE IZVESTIYA
in Russian 13 Aug 94 p 1

[Text of the law on changes to the Republic of Crimea law "On the Status of a Crimean Supreme Council Deputy"]

[Text]

The Republic of Crimea Law "On Changes to the Republic of Crimea law 'On the Status of a Crimean Supreme Council Deputy'"

The Crimean Supreme Council

resolves:

Article 1.

The following changes shall be made to the Republic of Crimea law "On the Status of a Crimean Supreme Council Deputy":

Point "d" of Part 3 of Article 5 shall have the following wording:

"be a member of the Government, minister, state committee chairman, chairman of the Crimean State Property Fund, or chairman of the Crimean Security Service."

Article 2.

This law shall become effective on the date of its publication.

[Signed] Crimean Supreme Council Chairman S. TSEKOV
Simferopol

3 August 1994

No. 131-1

Law on Crimean Parliament Procedures

944K2116A Simferopol KRYMSKIYE IZVESTIYA
in Russian 13 Aug 94 p 1

[Text of the law on changes to the Republic of Crimea law "On Crimean Supreme Council Procedures"]

[Text]

The Republic of Crimea Law "On Changes to the Republic of Crimea law 'On Crimean Supreme Council Procedures'"

The Crimean Supreme Council

resolves:

Article 1.

The following changes shall be made to the Republic of Crimea law "On Crimean Supreme Council Procedures":

Point 1 and 2 of Article 12 shall have the following wording:

1) The Crimean Supreme Council's plenary sessions shall be held every first, second, and third Wednesday and Thursday of the month.

Morning sittings shall be held from 1000 to 1300, and afternoon sittings—from 1500 to 1800, with breaks from 1130 to 1145 and from 1630 to 1645.

Meetings of deputy groups (factions) and coalitions shall be held beginning at 1315.

In the beginning of each afternoon session, the chair reports on the Supreme Council on who is absent from the plenary session without good cause.

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- 2) The first, second, and third Tuesday and Friday, from 0900 to 1730, shall be set aside for deputies' work in permanent or other commissions of the Crimean Supreme Council.

The following shall be added to point 5 of Article 12:

"Each first and third Wednesday of the month, from 1645 to 1730, members of the government, heads of central organs of authority answer deputy inquiries and questions."

The following words shall be added to point 1 of Article 51:

"Meetings of the Crimean Supreme Council's presidium shall be held every first, second, and third Monday of the month, from 1400 to 1800."

Point 3 shall be added to Article 64:

"The work schedule of Crimean Supreme Council deputies who shift to a permanent professional basis shall be set by the Crimean Supreme Council's presidium."

Points 3 and 4 shall be added to Article 67:

"3. Each first, second, and third Monday of the month, the time from 0900 to 1300 shall be set aside for deputy education and holding parliamentary readings.

"4. The last seven days of each month shall be set aside for Crimean Supreme Council deputies' work in electoral districts."

The comment to Article 85 shall have the following wording:

"Regardless of the contents of the draft law and its purpose in the legal regulation of social relations, a mandatory opinion (legal evaluation) on it shall be issued by the Crimean Supreme Council's permanent commission on state organizational development, legislation, and law and order; the state-legal service of the Crimean Supreme Council's secretariat, and well as the Crimean Ministry of Justice."

Article 89 shall have the following wording:

"The text of the draft law, with the opinion of the Crimean Supreme Council's permanent commission on state organizational development, legislation, and law and order; the state-legal service of the Crimean Supreme Council's secretariat, and the Crimean Ministry of Justice attached, is sent in advance to Crimean Supreme Council deputies."

Article 2.

This law shall become effective on the date of its publication.

[Signed] Crimean Supreme Council Chairman S. TSEKOV
Simferopol
3 August 1994
No. 133-1

Deputies Assess Work of Parliament's First Session

944K2107A Kiev DEMOKRATYCHNA UKRAYINA
in Ukrainian 30 Jul 94 p 1

[Article by Lyudmyla Blyshchyk under the rubric "Parliamentary Diary: "A Grade of Three for the Session. People's Deputies Do Not Grade Their Activities Any Higher"]

[Text] The dead season is now beginning for legislative authorities. Plenary sessions will resume after 20 September.

How do the people's deputies themselves evaluate the work of the parliament during the first session? I put this question to well-known politicians.

Volodymyr Marchenko, head of the Socialist faction:

If we were to grade the activities of the Supreme Council on a scale of one to five, they would make it to three with a little plus. Even the fact that the Supreme Council still managed to assemble, structure itself, and operate with this number of deputies is gratifying. That the session adopted the Main Domestic Policy Directions is also a favorable development. Do you recall that Leonid Kuchma repeatedly asked this from the podium when he was prime minister: Where are we headed? The session has answered this question.

What about shortcomings? There were many of them. We have not succeeded in distinguishing key issues, the resolution of which may have "automatically" settled the secondary problems that take a lot of our time. We have not approached the block of economic issues. However, there also are objective reasons in this instance. The factions and deputy groups have certain accomplishments, certain visions of solutions to economic problems. However, we did not proceed to emphasize this on the eve of the presidential election. All power structures have now been formed. There is an opportunity to coordinate the positions of the president, the Supreme Council, and the Cabinet of Ministers. As it is, the Constitution currently in effect and legislation contain many "mines" that can set off a confrontation.

Oleksandr Karpov, head of the Interregional Group of Deputies:

There are two very important issues on the agenda of the current week of plenary meetings—foreign-exchange regulation and self-government. I will proceed in my evaluation of the first session from the way in which we resolve these issues. For now, I will refrain.

Serhiy Dovhan, head of the Agrarian faction:

I would also proceed from the situation in which we happened to begin our work. If the composition of the Supreme Council were somewhat different (I mean the number of deputies), the situation could also be different. So far, we have been unable to pass any constitutional decision—we do not have a quorum. Unfortunately, the additional election does not change the situation radically. We hope that we will succeed in forming a full-fledged parliament in the fall, after all.

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I represent the interests of rural areas. Some things have still been done for rural residents during these two months. Let us recall, say, the decree about overcoming the crisis in the agro-industrial sector. Of course, it resolves all of this. However, at this busy time we succeeded, at least minimally, to deliver motor fuel to rural areas; the government has marshalled funds to settle for the delivered products and make advance payments for the crop. For the most part, we marked time with organizational issues. Electing the leading organs of the parliament and commission chairmen was a big deal! However, we could not have operated without this, either. My grade for the work of the session is satisfactory. The issues of reforming the economy, including the agrarian sector, will be put on the agenda of the second session; the situation with privatization as such will also be clarified. So, see you in the fall!

Crimean Tatars Complain of Home Seizures

944K2161B Simferopol KRIMSKIYE IZVESTIYA
in Russian 18 Aug 94 p 1

[Article by N. Zubkova: "Return the Home to the Collective"]

[Text] Participants in the regional meeting of representatives of the National Movement of Crimean Tatars (NDKT) handed out a statement addressed to high republic officials and the mass media which draws attention to the situation that has developed around the construction of housing for deported peoples. In particular, the mobile mechanized construction combine Otdelstroy of the Grazhdanstroy Trust, which deals directly with this matter, participants in the meeting think, is being deliberately destroyed: An attempt is being made to seize the apartments in an 83-apartment building on Zaleskaya Street, which belongs to this collective. As indicated in the statement, this action is being taken by the leaders of the Grazhdanstroy Trust.

Participants in the meeting, having discussed the situation, think that the situation is inadmissible and are fully in agreement with the collective of the mobile mechanized construction combine Otdelstroy in its demands to put a stop to this arbitrary behavior.

Resettlement of Crimean Tatars Viewed

944K2161A Simferopol KRYMSKIYE IZVESTIYA
in Russian 18 Aug 94 p 1

[Article by T. Palmina under the "Home From Deportation" rubric: "There Will Be a Village and Garden Here"]

[Text] *The initial program for receiving Crimean Tatars into Yevpatoriya has been practically doubled, and today the city is busy placing almost 23 thousand deportees.*

How are they doing? It varies. Some have already taken up residence in attractive, well-built cottages, while others are suffering in hovels.

A great deal, of course, depends on the capabilities of each individual family. But a good deal depends on the city authorities as well. Because of them the funds released in keeping with the repatriation program are "accumulating." And money is being spent on general building. For

example, on the construction of a 37-kilometer water line to the village of Ismail-bey. The buildings here, which are located on 1,212 sections, have not only water but also electricity. Two kilometers have been paved with asphalt in the village, not counting the gravel roads. There are four pay phones, a store, and a medical point. A primary school, which will be located in two adjoining cottages, will be put into operation by the beginning of the school year. At least the children will be going to school while their parents are building a real school.

Another Crimean Tatar village, Sputnik-1, is springing up not far from Ismail-bey. They have already built 40 farmsteads, and 31 more and also 36 two-apartment buildings will be constructed. Gravel roads have been laid, as well as three kilometers of water line and two and a half kilometers of electric power transmission lines. The most important sight to see in the village is the fruit orchard planted by the builders. It is growing along with the buildings and along with the children who have been born on what is now Crimean land.

Yevpatoriya is one of the few population points in Crimea, the deportees themselves say, where the state shows concern for them. Just take Sputnik-1, where buildings are being constructed at state expense. With the same money that is being allotted everywhere for repatriation. It turns out that if it is all put together and entrusted to a reasonable manager, the housing as a whole is less expensive, and it is built more rapidly.

It is not surprising that the authority of the Yevpatoriya executive committee is so great among Crimean Tatars. They come here with problems and questions, and they leave with answers; not always positive ones but, as a rule, they are responsible and benevolent. And that means quite a bit too.

But the process of repatriation from deportation can clearly not be called well arranged yet. Even if individually Yevpatoriya were ideal, one could hardly take pleasure in this idea. If only because the relative well-being of some evokes questions from others.

Why is it that a good deal is being done for the Crimean Tatars in Ismail-bey while literally across the street, on the territory of Saksii Rayon, a similar village is practically ownerless? This question tormented residents of the long-suffering village for a long time until the Crimean authorities included it in... Yevpatoriya.

It is like in the proverb: The one who pulls his share of the load gets a bigger load. In other words, such actions could be called a lack of a migration policy in Crimea. Actually, the Crimean Tatars are settling wherever they can. It is no secret that some of them are controlling from behind the scenes the process of distribution of plots of land, which are ultimately sold for a lot of money. The same thing happens with construction materials and financial resources. And it turns out that some people have built chic private residences, while others might end up out in the street, in the field, or at best they might be able to live hand to mouth in a hospital during the winter.

It is obvious that reserving land for deported people should be one of the key issues supervised by the Crimean Government.

And then fruit orchards will definitely grow up by the homes....

Crimea, Ukraine, Russia Interaction Viewed

944K2167A Simferopol KRYMSKIYE IZVESTIYA
in Russian 19 Aug 94 p 1

[Interview with Dmitriy Rogozin, leader of the Congress of Russian Communities, by O. Kulakovskaya, under the rubric "A Guest of KRYMSKIYE IZVESTIYA"; place and date not given: "We Are All Countrymen"]

[Text] *Dmitriy Rogozin, the leader of the international public organization Congress of Russian Communities is a person who is well known not only in Russia, but in Crimea also. Recently he visited the peninsula once again and was a guest of the editorial office of KRYMSKIYE IZVESTIYA.*

[Kulakovskaya] Dmitriy Olegovich, do you visit Crimea often, and can you state the purpose of these trips?

[Rogozin] The analysis and estimate of the situation developing in Crimea in the sphere of assistance on the part of Russia, or of specific political forces in the sphere of granting civil rights to Crimeans; finally, in the sphere of a breakthrough of the information and political blockade of Crimea. This is the purpose not only of my trips, but of all of the activity of the Congress of Russian Communities.

[Kulakovskaya] And can you already sum up some kinds of results?

[Rogozin] Anyhow, it is clear that numerous disputes exist in Crimea today that are caused not only by the usual disagreements between those who won and lost in the elections, but also by the nature of the presidency itself in Crimea, and generally by the geopolitical nature of the peninsula, inasmuch as it is at the crossroads between Russia and Ukraine. Undoubtedly, these disputes are also associated with the criminogenic situation in the republic.

It is simply necessary to look into all of this and to understand that Crimea is not only a health resort, but also the site of powerful political and economic skirmishes and a testing ground for confrontation between Russian national interests and the interests of other adjacent states.

[Kulakovskaya] How specific are your powers? Do you operate only within the framework of your organization, or do you represent some kind of state structures?

[Rogozin] Of course not. At present we do not in any way speak for the state, inasmuch as a public organization exists in order to fight and win in elections and only then represent state interests.

But the Congress of Russian Communities—this is a rather substantial organization, which has 150 regional structures in its system. Out of these, about 100 are outside the Federation; moreover, they are scattered throughout the world. The congress has its own representation in the Russian parliament, and it does not conceal its political ambitions and plans for future elections, before which it

tries to accomplish some tasks. For example, the real restoration of civil, property, and political rights of all Russians, wherever they may be, and the acquisition of the lost feeling of national dignity and the national pride of the Russian people.

[Kulakovskaya] But what are your opportunities for influencing the situation, so that Crimea would become a connecting link between Ukraine and Russia?

[Rogozin] First and foremost, it is necessary to resolve the question of citizenship in Crimea, inasmuch as it absolutely has not been regulated. Today, the situation here is extremely muddled. There are various desires: first, to establish the citizenship of Crimea as an independent territory of an unrecognized state; second, to preserve general Ukrainian citizenship; third, the possibility of acquiring Russian citizenship is being examined; and, fourth—dual citizenship of Russia and Ukraine.

It is really not that complicated to analyze this. Even before the "Belovezhaya agreements" and afterwards, the point at issue was the existence of a unified state on the territory of the Russian Empire, and afterwards—of the Soviet Union. But the presidents of Russia, Ukraine, and Belarus in their practical activity rejected an agreement on a unified state. Therefore, the Crimeans, who first of all associated themselves with Russia and who viewed Ukraine purely administratively, ended up against their will as if in emigration. Moreover, there is not even one juridical act that assigns Ukrainian citizenship to them. All decisions are associated with the Ukrainian oath and with Ukrainian citizenship—these are purely Kiev initiatives that were not confirmed juridically in any way.

I am justified in speaking about this by virtue of the fact that the Ukrainian and Russian parliaments adopted absolutely different documents that are called "the Belovezhaya agreements." Therefore, from the standpoint of international law, the "Belovezhaya agreements" are not in themselves serious documents for those states that joined the CIS system. On the other hand, a declaration was made in the Belovezhskaya Pushcha on the abolition of the treaty of 1924, which ceased its existence as far back as the 1930's, after the adoption of the first Soviet Constitution. It was not possible to abolish that which was already abolished.

Well, and afterwards, according to the Soviet Constitution, secession from the Union of Republics was possible only after the conduct of a referendum and a counting of the votes of all oblasts that were part of the republic. If the referendum of 1 December 1992 is taken as an example, then in accordance with Union law, Crimea remains in the USSR structure, because only a little more than 30 percent of the population, even under conditions of great hysteria, voted for the independence of Ukraine. There not only was not a constitutional, but even a simple majority to pull Crimea out of the Union structure, which, like shagreen leather, compressed itself into the size of the Russian Federation. Unfortunately, almost none of the politicians in either Crimea or even in Russia pay any attention to this.

[Kulakovskaya] But what would this have changed?

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[Rogozin] Well, based on what was said, the Congress of Russian Communities, which is a federation of all Russian organizations on the territory of the CIS and the Baltics, submitted a proposal for review to the president of Russia on the introduction of the status of countryman. It means that all citizens of the former Soviet Union automatically acquire Russian citizenship, except for those who voluntarily reject it. We proceed from the reality of the existence of sovereign states. I repeat—while this is not a legal fact, it is a reality.

[Kulakovskaya] What would the introduction of the status of a countryman mean for Crimeans?

[Rogozin] I will say immediately that this would not resolve problems of a pension, property, and other nature associated with Russian citizenship. But this would be an act that confirms the right of a Crimean to participate in All-Russian referendums and elections of higher federal authorities. Moreover, this would make it possible to nominate their own candidates for deputy to the higher organs of state authority of Russia from the territory of Crimea.

[Kulakovskaya] But, still, what about the resolution of economic problems?

[Rogozin] This is an extremely important question. I see practically no prospects for commercial contacts with Russia in the situation that has evolved today in Simferopol and other Crimean cities. The people have no money, consumer demand is low; and, therefore, there can be no increase in production. Here in Russia, for some reason the opinion exists among directors of industrial enterprises and in the government of the need to extend credit for production. This is the greatest foolishness. It is not the plants that have to be extended credit, but the people, so that they would have the ability to purchase the commodities that they produce, which will bring the development of production along with it. The same should be done in Crimea.

From an economic standpoint, Russia should view Crimea not "de jure," but "de facto" as an internal Russian market. Accordingly, the delivery of fuel and energy sources to Crimea should be accomplished at internal Russian prices, and the rest of Ukraine would not seem to be very pertinent here. But compliance is necessary with the compulsory condition that the resale of any deliveries to Crimea are prohibited. This must be exclusively deliveries, I emphasize, quoted on the part of Russia only for the Crimea.

[Kulakovskaya] But how can Ukraine view this, which "in a way had little to do with it"?

[Rogozin] But according to the idea, Ukraine should be extremely interested in the fact that, from her viewpoint, some foreign state is rendering assistance to part of a sovereign independent Ukraine.

Taking into account the special autonomous status of Crimea and the real situation in Ukraine, Russia has the right to consider individual parts of adjacent republics as zones that are extremely favorable for trade-economic intervention. And it is not at all absolutely necessary to ask Kiev's permission for this. Especially given the existence

of exact political guarantees that Crimea will not be torn away from Ukraine before a resolution of the question of unification within the framework of some kind of an integration scheme. Unquestionably, only a madman would want war in Crimea.

[Kulakovskaya] Does this mean that economic stabilization on the peninsula is advantageous for Russia?

[Rogozin] The sooner we will be able to spur Crimea into economic relations, the more advantageous this will be for Russia. Then there will be a revival of the construction of sanatoriums and pensions; that is, Crimea will be able to develop tourism, naturally, while observing Russia's interests.

It also seems to me that, for successful economic development, Russia should create conditions in Crimea jointly with Ukraine for the emergence of offshore companies. To establish a kind of financial center here for all subjects of the CIS. The one thing I fear is the impatient expectation of a quick economic miracle on the part of politicians of a populist nature in Russia and Crimea.

If it were in my power, I would slow down all political examinations in Crimea between Russia and Ukraine in the summer period in order to receive as much money as possible from vacationers and invest it later in reforms. Unfortunately, this is not what happens. This is a kind of reproach to all Crimean politicians regardless of the position they hold.

[Kulakovskaya] Thank you for the interview. I hope this is not our last meeting. The KRYMSKIYE IZVESTIYA editorial office is always happy to have you as our guest.

New Kherson Mayor Interviewed on Plans

944K2142A Kiev PRAVDA UKRAINY in Russian
12 Aug 94 p 2

[Interview with Lyudmila Kabernik, newly elected chairman of the Kherson City Council, conducted by Irina Gavrilova: "The World is Ruled by Men, and Mayoralities—By Women?"]

[Text] It is always better to begin a serious conversation with a joke:

"...And here everyone present notices that the person in charge—is a woman.

"Gentlemen, what is this? We all expected to see a man now, and suddenly, just imagine, a woman comes in. Why, for there to be such leaders, this is simply—some kind of a Kursk anomaly." Other men say:

"For a leader to be a woman, that really is a Kursk anomaly."

Yet despite such unflattering comments, Kherson, for the second time since the Empress Catherine, has nevertheless been conquered by a woman.

LYUDMILA KABERNIK, the newly elected chairman of the city council, answers questions posed by our correspondent.

[Correspondent] What were the basic positions of your pre-electoral program?

[Kabernik] First of all—a change in the structure of city management, with mandatory computerization of all processes and reduction of the staff apparatus. I have four year's experience in work as the chairman of the rayon soviet of the largest industrial rayon of Kherson—Komsomolskiy Rayon, where two-thirds of the city's industrial potential is concentrated. And all the ideas and plans in this sphere I intend to use already at the city level.

Practically no one has yet engaged in computerization of management. From this, I believe, stems our poor management and our poverty.

In my rayon today, the entire system of management has been computerized. All the data on national economic facilities (and this is 1,500 state enterprises and 2,500 private enterprises) are grouped according to structure and according to sector, which significantly facilitates the process of management and control of their activity. Or, for example, computerizing the data of the social protection departments. We know every person who is in need of state assistance, all the benefit recipients, pensioners, and invalids, and there are over 27,000 of them in the rayon. Not one complaint, not one appeal by any of our wards remains without attention. Such a method makes it possible to perform a large-scale analysis of the situation and to make detailed predictions, and this makes it possible to rationally invest and utilize monetary funds.

[Correspondent] What will be your first steps in the office of mayor?

[Kabernik] There are two basic problems in Kherson today—water and transport.

The city is 40 percent supplied with drinking water. Construction of the water line from the Dnieper has been "mothballed" due to ecological reasons. We intend to engage scientific forces for a comprehensive study of this question.

Now about transport. About 80 percent of the bus pool is worn out. Its renovation and the purchase of new vehicles will require sizeable currency means. This year, we are planning to seek them out, partially at the expense of deducting a percentage from the income of enterprises manufacturing export products. Things are a bit better with trolleys—at least they can be obtained in Ukraine, and for karbovantsy.

The primary goal of my minimum program are the priorities in the development of Kherson. First of all, bringing about order in the city, and reforming the cleaning infrastructure. In our rayon, we rejected assigning clean-up of sectors to enterprises over 3 years ago. A teacher should teach children, and not sweep the street. We utilized the services of private enterprises. I believe that alternative levels of management are economically expedient for the city—state monopolist structures do not fulfill their functions, while private ones, aside from provision and improvement of sanitary standards, also help resolve questions of employment of the population. Pensioners, housewives and students would gladly earn a bit extra this way.

We intend to combat speculation and commercial machinations most decisively. The financial and legal investigation of activity of the MP [not further expanded] has been undertaken on the basis of the presidential edict, and the situation with spontaneous-mass trade is being regulated. There are intentions to achieve for Kherson the status of a free economic zone—but this is already from the maximum program...

[Correspondent] How are your relations formulated with the political parties and movements? After all, you stand on some political platform?

[Kabernik] In the pre-electoral struggle I intentionally refused the support of any party or public organization. I believe that a leader cannot be a member of any political organization, since this immediately leads to infringement upon the rights and interests of other parties and hinders the cause at hand. It is better to combine the progressive ideas of both the "right" and the "left," and to work together for the good of the people.

[Correspondent] Do women in power necessarily have to have the prototype of the "iron lady"?

[Kabernik] You know, many call me that. Even in the press, the Ukrainian and Western, this comparison has appeared.

In fact, I do have a firm character. However, I believe that in this position it is necessary to have such qualities as an authoritative nature and strictness—only we should not confuse it with harshness. A leader is not a dictator, but a conductor. However, strict control in everything—that is my main rule.

I have a principally new approach to apparatus work, which is based on a rejection of the dogmas of labor discipline: Being on the job "from bell to bell." The departments are granted full independence and initiative, but every month the information-analytical center summarizes the results of their work. This has a great disciplinary effect, and does not allow for relaxation.

I have a young apparatus, where the people have been selected exclusively according to business qualities, according to a conscientious attitude toward their work. Whoever cannot work in such rhythm simply leaves the administrative structure.

[Correspondent] Power in a woman's hands—is this an advantage or a hindrance in solving social problems?

[Kabernik] You know, society today is psychologically not ready to accept a woman leader. It is no accident that the main argument "against" expressed by my five male rivals in the pre-electoral struggle was the reference to my sex. And now they are saying that for the second time since Catherine, Kherson has been conquered by a woman. I believe that it is specifically woman's intuition, painstaking attitude toward matters and ability to work—these are the qualities which help a woman to solve a number of questions more effectively and efficiently than a male leader.

Obviously, because of the fact that I am a woman, I give much attention to orphan children, large families and

single mothers. In our Komsomolskiy Rayon we realized a program for social protection called "Zabota" [concern], and the experience of work in this direction was reported at the session of the Supreme Council. These are not episodic actions, but ongoing material support to all who are needy. Moreover, it is financed through extra-budgetary funds. We attracted sponsors, and ourselves learned how to earn.

[Correspondent] And how are the relations of the "second conqueress of Kherson" in the family? How many arguments on this topic, how many contradictory opinions... Add to them one more.

[Kabernik] Without the consent of my family—and I have a husband and two daughters (one is already married, the other is a student at our industrial institute)—I would not have run for this office. After all, I knew that my public obligations would increase by about 10 times. If as the chairman of the rayon soviet I had an 11-hour work day and three years without a vacation, now... But my family is understanding and respects my work, and tries to free me whenever possible from the family burden. But, of course, there are questions which only a woman must resolve. When I come home, I try not to "burden" those at home with my professional problems.

[Correspondent] Lyudmila Ivanovna, what, in your opinion, ensured your victory in such a tense struggle?

[Kabernik] I believe, first of all, my work as head of the rayon soviet. The meetings with the labor collectives and public organizations, and the trust of the simple people played a significant role.

Although I terribly dislike this combination of words—"simple person." As it turns out, if he works at a plant—he is simple, and if I manage—then I am complex.

These concerns and problems are dear and understandable to me. After all, I live in the same city. I had the opportunity to prove to the voters that I am a person of action, initiative and energy. And I am grateful for their support.

Minister on Nationalities, Immigration Issues

944K1974A Kiev URYADOVYY KURYER in Ukrainian
23 Jul 94 p 5

[Interview with Mykola Oleksandrovych Shulha, Minister on Nationalities and Migration, by Vasyl Hubarets; place and date not given: "Towards Interethnic Harmony"]

[Text] Mykola Oleksandrovych Shulha, Ukrainian Minister on Nationalities and Migration, was born in 1943 in the Luhansk region. After completing a technical school for construction, he worked as a construction engineer and served in the Army. He graduated from the Rostov State University, finished graduate study in the philosophical institute of the Ukrainian National Academy of Sciences, and held the position of junior and senior research associate at this institute. He worked in the department of science and educational institutions, and later headed the Department on Interethnic Relations in the Central Committee of the Ukrainian Communist Party. From 1990, after being elected a people's deputy, he headed the Commission on

State Sovereignty, Interrepublic and Interethnic Relations. He holds a doctorate in sociology. Among his academic interests—problems of individuality and interethnic relations.

[Hubarets] The Ukrainian Ministry on Nationalities and Migration Issues marked its first anniversary with your assumption of its leadership.

What are you planning to change here, exactly what will be accelerated?

[Shulha] When speaking of human birth, physicians make use of the terms "prenatal" and "postnatal" periods—that is, the period when the fetus is developing, and the period which begins with the birth of the baby. If we are to apply this analogy to the ministry, then, really, its postnatal period equals one year. But this period was preceded by the existence of the Committee on Issues of Nationalities in the Ukrainian Cabinet of Ministers. Therefore, many genetic features of this organism were determined back then. After one year of existence in the status of a ministry, this collective has grown stronger, has increased in size, has begun to take its first independent steps. That is why I perceive my assignment as safeguarding the conditions for its further healthy development.

[Hubarets] Minnatmigratsiyi, the contraction for the Ministry used in official documents, is working with a relatively small staff but has been able to claim a high professional level in its workers, especially in the preparation of important draft laws. Can it be said that you were fortunate enough to inherit a fully structured collective?

[Shulha] I would hesitate to state that quite so categorically. After all, a whole line of departments and administrations completed their organization only several months ago. In order for a collective to be structured, considerably more time is needed for stable psychological ties and informal relations to form, for moral norms which take precedence in the group to develop, for official behavior to crystallize. Besides this, the formation of the structure of the ministry still has not been completed—right now, let us say, the Department of Migration is being organized... And the fact that at least basic working conditions have not been created does not help the normal status of the collective.

[Hubarets] Which problems facing the workers of the ministry today do you consider most important and by what methods do you plan to resolve them?

I feel that today it is most important for every worker in our institution to learn in depth the true state of affairs in the area of public life for which he is responsible. This is necessitated by the fact that, first, for the majority of workers this is a new area of activity, and second, the area of interethnic relations is such a fine and delicate matter, it is so dynamic, so changeable, that it requires continual attention and analysis.

But only knowing the status of affairs is not enough. It is also necessary to have the skill for generalization, to know how to analyze and to reach conclusions, to distinguish between the superficial and the substantial, to make such decisions which would enable events to develop in a

desired direction. All this is possible only in those circumstances in which every worker is a professional in his own area. To attain this is not simple. Here everyone must be honest. First, the worker who feels that he "does not pull his weight" in the area entrusted to him should admit this if only to himself.

[Hubarets] As a well known academic and politician in the area of interethnic relations, in state building, what do you see as the paths to strengthening concord in society, to comprehensive development and improvement of the Ukrainian nation and harmonious development of national minorities?

[Shulha] That is a complicated and global question. It is difficult to give a short answer. Let us agree that we will discuss it in URYADOVYY KURYER at another time. At present I will only say that this path passes through the building of a rule of law democratic state, the formation of a civil society, the comprehensive protection and observance of human rights. And, without doubt, among the main tasks of the ministry is to initiate the creation of an effective legal mechanism for the protection of national minorities, and Ukrainians abroad, in accordance with international legal practice, and the realization of programs for ethno-national development.

[Hubarets] What from world experience of the organization for migration services do you regard as worth learning and making use of in the activities of the ministry which you head?

[Shulha] I could give a very simple answer to the question: everything.

The point is that such a service never existed, not only in Ukraine, but in the former Soviet Union. That is why we have no experience in this area. But the situation is such that we must immediately create such a service in the interests of the state: having mostly "transparent" borders, we will experience enormous losses due to our non-resolution of this problem. That is why we are studying with great care the experience of immigration services of various countries and are reinterpreting it to suit our circumstances.

ECONOMIC AFFAIRS

Miners Warn President of Provocation

944K2117A Donetsk DONBASS in Russian 13 Aug 94 p 1

[Miners' leaders statement addressed to the Ukrainian president, the chairman of the Ukrainian Supreme Council, the prime minister of the Ukrainian Cabinet of Ministers, and the chairman of the State Committee for Coal]

[Text] Having heard the report of the chairman of the Independent Miners' Union of the city of Donetsk on the meeting of the directors of mines of the Donbass with the participation of a government commission that is proposing, instead of a solution of questions of the coal industry pertaining to a way out of the crisis, the elimination of the debt artificially imposed by the government, and a solution of questions concerning the timely payment of wages and a change in the system of remuneration, to

introduce a discipline charter and to completely revise the Occupational Safety Act (in respect to the payment of lump-sum benefits and the adoption of decisions on professional fitness), we chairmen of the Independent Miners' Union of cities of the Donbass declare that:

In the event of the adoption of these proposals, which could have unpredictable repercussions, the whole responsibility will be borne by those that are provoking this, namely, the president of Ukraine, the Supreme Council, the Cabinet of Ministers of Ukraine, and the enterprise directors that are proposing and insisting on the adoption of these decisions.

[Signed] N.N. Volynko, chairman of the Independent Miners' Union of Donetsk Executive Bureau

I.N. Dyatlov, chairman of the ANPG [precise expansion unknown] of the city of Makeyevka

S.M. Galyautdinov, chairman of the ANPG of the city of Pervomaysk

V.N. Myasnikov, chairman of the RO [further expansion unknown] of the Independent Miners' Union of the city of Pavlograd

O.A. Kuptsova, deputy chairman of the Independent Miners' Union of the city of Shakhtersk.

Privatization Legislation Clarified

944K2136A Donetsk VECHERNIY DONETSK
in Russian 17 Aug 94 p 1

[Report by the press service of the Cabinet of Ministers of Ukraine—UKRINFORM: "Clarification: On the Procedure for Conducting Privatization in Connection with the Decree of the Supreme Council of Ukraine of 29 July 1994 No. 149/94-VS 'On Improvement of the Mechanism for Privatization in Ukraine and Increasing Control Over Its Implementation'"]

[Text] In response to the numerous requests coming in from privatization organs and labor collectives expressing the desire to privatize the property of their enterprises, the Commission of the Supreme Council of Ukraine on Questions of Economic Policy and Administration of the National Economy clarifies:

In compliance with Point 2 of the decree, purchase and sale agreements and leasing agreements with option to buy shall no longer be concluded for enterprises of state significance, namely: of the fuel and energy complex, other branches of the extraction industry (except extraction of construction materials), mainline rail, sea, pipeline, and automotive transportation, electronic means of communication, and metallurgy, whose property is state-owned and which are among the basic branches of the economy of Ukraine. This decision shall remain in effect until approval by the Supreme Council of Ukraine of the list of facilities not subject to privatization. Until the establishment of this list, the State Property Fund and its organs shall be obliged, in compliance with existing legislation, to perform all other work associated with privatization of the aforementioned enterprises, namely: accept applications for privatization, conduct inventories and appraisals of property, prepare privatization plans, etc.

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The ban on the conclusion of purchase-sale agreements and leasing agreements with the option to buy does not pertain (with the exception of agreements for purchase and sale of facilities of the nonproduction sphere privatized through leasing with purchase) to facilities that are municipally owned.

Open Trades at Crimean Currency Exchange Cause Concern

944F1218A Moscow *SEGODNYA* in Russian
4 Aug 94 p 4

[Article by Viktor Yadukha (Simferopol): "First Currency Trades in Simferopol; Kiev Was Not Pleased"]

[Text] In spite of the new Ukrainian leadership's promises not to infringe the economic autonomy of Crimea, the first open trades in the Crimean Interbank Currency Exchange aroused the displeasure of financial lobbies in Kiev: The new currency regulations are attracting capital from all parts of Ukraine to the peninsula.

The trading sessions in the Crimean exchange will be held two or three times a week in the Republic Bank building in Simferopol for now, and later they will be held daily. The first sessions, in which 12 Crimean banks and branches participated, were conducted brilliantly by Aleksey Mamonov, the Moscow Currency Exchange's chief broker, who had come here as a consultant. Only Russian rubles were sold, and the 594 million rubles that were offered for sale at a rate of 19.81 karbovantsy to the ruble were bought within seven minutes. In all, there were bids for 758 million rubles. According to Anatoliy Burdyugov, chairman of the board of the Crimean Republic Bank, who established the authorized capital of the exchange in the amount of 10 billion karbovantsy, the trading went well: The demand for Russian currency exceeded all expectations. The directors of local banks and Crimean branches of Ukrainian banks expect to be trading marks, dollars, pounds, and the "soft" currencies of the CIS within a couple of weeks.

President Leonid Kuchma of Ukraine, however, recently reaffirmed his intention not to grant Crimea any special privileges in the banking sphere. Mr. Kuchma's statement was seen as a direct response to the edict of the president of Crimea "On Banks and Banking" and the Saburov government's decree "On the Procedure for Registering Banks with Foreign Participation Within the Territory of Crimea," which instituted a much simpler registration procedure than the Ukrainian one. On 1 July the minimum capital stock of joint banks will be reduced to 1 million ecus (if the foreign share of the capital stock is under 50 percent) and 2 million ecus (if it is over 50 percent). In Ukraine the respective figures today are 5 million and 10 million ecus.

Members of the Crimean Government are worried that the inflexibility of the Kiev leadership could hinder the operations of such banks as Menatep, Tveruniversbank, and Inkombank, which have given their preliminary consent to the establishment of joint banks here.

Lanovyy Pesimistic On Economic Reform

94P50186A Kiev *UKRAYINA MOLODA* in Ukrainian
5 Aug 94 p 3

[Interview with Volodymyr Lanovyy: "This Achilles Will Never Catch Up With the Tortoise" First paragraph is an introduction by an unidentified UNIAN correspondent]

[Text] The first round has finished—three months of work of the present parliament. The group Reforms issued an official statement, in which serious concern was expressed "concerning basic negative tendencies in the activity of the newly elected Supreme Council." Volodymyr Lanovyy, people's deputy of Ukraine, recent presidential candidate and president of the Center for Market Reforms, was one of the authors of this statement. An UNIAN correspondent held an interview with him.

[Correspondent] Can one say that all our hopes for progressive economic legislation will be in vain?

[Lanovyy] The problem is that today the leadership of the Supreme Council does not have a concept for the legislative activity of parliament. Concerning economic legislation in particular, it is necessary to have a complete concept of how to lead the economy out of the crisis. Without that it is impossible to pass the necessary legislation.

[Correspondent] However, concerning legislative acts on changing hard currency regulation in parliament, it seems that there is an understanding of the gravity of these documents. Is it possible that there is simply another kind of "game" here?

[Lanovyy] The hard currency, monetary and financial systems of Ukraine are absurd: We do not have real money, credit resources or means of payment. From this stems the fall in production, the marked difference in prices between producer and seller, empty shelves in the stores, the hiding of hard currency abroad, and so forth. Hard currency regulation is one of the salient elements of this absurd monetary system. There should be one exchange rate—the real value of our money. For me, you, enterprises and everyone, there should be a single price for money. If for certain ones, like it is today, it remains cheaper, while for others it is more expensive—that means the usual money speculation.

But I repeat, changes in hard currency regulation will not solve all problems: What is needed is systematic economic reforms. For example, if the existing customs remain—50-60% for exports and 300% for imports—the demand for hard currency will fall further. Why? Because of the high customs rates it is not profitable to import goods from abroad. The leadership of the Supreme Council and the chairmen of the economic commissions "do not see" these problems in the interests of certain circles—probably of the leaders of the old system, the directorate and collective farm chairmen, who take advantage of their privileges, or in the interests of the mafia, which resells cheap fuel, or of the hard currency or bank mafia, and so forth.

[Correspondent] But if the legislative authority in the form of a significant part of the deputies does not understand that and fears change, then does the legislative authority understand the problem? In particular, could you shed a little light on the recent meeting between the president, the prime minister, the National Bank chairman and the economy and finance ministers, which, as is known, took place on July 26?

[Lanovyy] Conservatism dominates the legislative branch as well. The chairman of the National Bank and the ministers of the economy and finance in one way or another defend the present economic policy, explaining their position by saying that inflation has gone down. They do not wish to see that today's realities are completely different: enterprises are coming to a halt, the majority of industrial workers are on forced leave, and the people's standard of living is falling.

As members of the cabinet explained during the meeting, they propose to raise the exchange rate to the real level in stages. But how long will this take?

The difference between the real and fixed exchange rates creates conditions that cause hard currency to remain abroad, and thus increase external state indebtedness and internal inflation. In such a way the circle is closed: the real exchange rate is significantly higher than the fixed one, the rate of the karbovanets will fall further. The proposal of leadership of the executive branch to raise the exchange rate in stages up to the end of the year, which was aired at the time of the meeting, is also senseless. This Achilles will never catch up to the tortoise.

[Correspondent] Stemming from the results of the presidential council, what fate awaits hard currency regulation?

[Lanovyy] During the session (which was chaired by President Leonid Kuchma himself), the Ministries of Economics and Finance and the National Bank were directed to prepare draft edicts on hard currency regulation, taxation policy and customs regulation (though with a somewhat unusual name: on the protection of our market and customs regulation) by August 5.

[Correspondent] How correct is the supposition that refraining from changing hard currency regulation is connected with the interests of a number of people who have the possibility of obtaining hard currency on tender? That is, they "have not exercised their tenders" yet.

[Lanovyy] You see what happened to the chairman of Agrotekhservis. The attempt on the life of Mr. Bortnyk was not in the end connected with the results of the action of the fixed exchange rate...

60% of the privileged hard currency was purchased for securing first of all, cheap fuel for agriculture. However, fuel came to the village at the real price, and someone earned a lot off of that. Thus, there are victims when mafia structures are fighting. The newspapers say that Bortnyk does not plan to return to Ukraine... At the same time new firms are being created, which are using the privileged rate for hard currency, according to their explanations, will secure Turkman gas, oil, etc. for the state. Thus, tenders has still not been "exercised."

[Correspondent] It is understandable that the rate of the karbovanets will still "fall." However, what is the reason that in spite of all forecasts, the rate to the dollar has held stable for so long—not rising, even falling a little? Almost the entire sum of withheld wages to budgeted workers has been paid, as well as credits to agriculture, but prices and the exchange rate to the dollar have held steady...

[Lanovyy] The rate to the dollar has been restrained by administrative methods. Today the majority of wholesale prices of agricultural production, metallurgy, the fuel and energy complex, and the machine building sector, are controlled administratively. The raising of these price levels would draw out additional money and in the same way would raise prices, including the rate on the dollar. By way of an example, it is known how the National Bank behaved, in accord with recent documents, concerning the agro-industrial complex, forcing commercial banks to issue cheap credits to the village. Now commercial banks have gone to court, for, in essence, they confiscated the banks' own funds forcibly and irreversibly.

I believe that another reason for the restrained hard currency exchange rate are the high customs on imports—on the average 100% of the price, and in some goods groups up to 300%.

But in artificially restraining prices, high officials do not want to see that in the same way we are choking the development of production. That is, in fact while not denying the existence of an illness, they do not want to even take the temperature of the body and to treat it.

[Correspondent] In your opinion how long will this last?

[Lanovyy] I have not heard a constructive program of action from the leaders of the newly selected government. A "wave" of money has been issued connected with the purchase of agricultural production, fuel, and so forth. Thus, there will be a further fall in production, wages lagging behind prices, and another round of inflation. We are again unceasingly approaching a political and governmental crisis. Obviously the crisis will begin in November and possibly even in October. The first crisis in which our present president is involved. People will say: We did not elect a prime minister, we elected you and ask explanations from you. He should draw a conclusion from this lesson, otherwise the people will again express no confidence.

Official Views Function of Financial-Industrial Groups

944K1975A Kiev URYADOVYY KURYER in Ukrainian
23 Jul 94 p 6

[Article by Volodymyr Ilchenko under the rubric "First-hand": "Will the Financial-Industrial Oligarchy Save Us?"]

[Text] The question of creating financial-industrial groups has become fashionable today in Ukrainian economic theory and practice. Such groups are the subject of discussion at various levels—ranging from business circles to government structures. Some view the financial-industrial groups as a logical extension in the transformation of state property and as providing fresh opportunities for earning profits and the

formation of capital, while others see them as a means of strengthening the control and management of the economy by the state.

An interdepartmental commission has been created to prepare documents dealing with the formation of financial-industrial groups. It is headed by Economy Minister Roman Shpek and includes the deputy minister of industry, the deputy minister of machine-building, the defense industrial complex, and conversion, the deputy minister of finance, the deputy minister of the economy, bankers, and the directors of the largest enterprises. The technical and economic feasibility requirements for the financial-industrial groups have been drafted, as have been the conception for the formation of such groups and the drafts of normative documents.

Will the financial-industrial groups promote economic growth in Ukraine? Leonid Minin, doctor of economic sciences and deputy minister of the economy, responds to this question.

The problem involved in the creation of financial-industrial groups stems from the fact that the enterprise privatization and incorporation policy is disordered and uncoordinated with industrial policy. The processes of destatization must be aimed at increasing the effectiveness of the Ukrainian economy. This lack of coordination has caused the collapse of the unified intersectorial production-technological structures that had been formed earlier—the so-called state associations, concerns, and consortiums. Both the enterprises that are being privatized and those that remain the property of the state remain part of a single technological chain. A privatized enterprise has the right to produce whatever it regards as most profitable. Yet, let us say, that this enterprise was the only one of its kind in the technological chain and that it is impossible to build an airplane, or a missile, or a ship without it. When such processes occur in sectors where there is competition, we need not worry, because the link that is removed is replaced by another. But a number of industries rely on enterprises that are monopolies. For example: the Pivdenmash missile plant, some production entities in shipbuilding, airplane building, and in the military-industrial complex. Some of these production entities cannot now be restored. Or too much money is needed to do so. We as a state, as the owner, cannot stand by idly watching this process of collapse. We have to intervene in order to preserve unique scientific-technical facilities and adapt or restructure them to produce sophisticated engineering production that can compete in the markets of both East and West. The state should support such industries, concentrate their potential, and... create a monopoly. But these are to be monopolies in the domestic market which must compete in foreign markets in the fields of shipbuilding, motor vehicle production, etc. This is where Ukraine's future lies. Meanwhile, we are exporting only metals and other raw materials rather than products that are based on scientific-technical achievements.

Viewed from outside, this does indeed appear to be an antimarket measure. But the state decides to create a monopoly deliberately in order to increase Ukraine's export potential, while preserving and developing the country's scientific-technical capacities.

There is yet another reason why the state needs to create such associations. Because of inflation, investments in science and production have been sharply reduced. This situation cannot go on forever: equipment is becoming obsolete and specialists are being laid off. Domestic sources of capital formation need to be sought to enable the structural reorganization of capital investments and technical retooling. We must not wait for foreign investors; there are some fields into which they have no intention of investing funds. What reason would they have to develop our instrument building or shipbuilding industries? They are quite content with a "chemical" and "metallurgical" ecologically unsafe Ukraine. They will buy our metals and sell us computers. But we cannot settle for this.

By concentrating the resources of the enterprises that will be part of the financial-industrial groups, we will be able to unblock "bottlenecks," develop science, and break through into existing markets. This requires including banks in these associations by bringing in outside banks and creating new ones inside the groups, that is, banks that are subordinated to industry. A bank is already in operation at ZAZ [Zaporizhzhya Motor Vehicles Plant] as part of this production association. It is not a matter of imposing a diktat on banks but of encouraging them to invest money in the development of production and not into trade involving imports. The rate of inflation has fallen and the time has come for banks to support industry. The state should permit them to take part in the process of corporation and privatization and to become co-owners of these enterprises.

This requires reviewing the Law on Banks and Banking, as well amending a number of other legislative acts, above all, the Law on Business Enterprise. This latter law now acts as an impediment in the implementation of the state's industrial policy. Inasmuch as it allows enterprise directors to manage state property as if it were private property. They are not accountable to the state either for the plan, or for new technologies, or for profits. [State] property is being stolen and pumped into the private sector. The former Supreme Council with its industrial and agroindustrial lobby did not want to change legislation which gives a "free hand" to the managers of state property. The Law on Collateral also needs to be changed. If an enterprise owes the bank money, it should hand over a portion of its property to the bank. The circulation of bills as exchange as collateral should be introduced as a means of achieving this end.

Financial-industrial groups may be of a mixed type. Most enterprises that will be part of these groups will be state-owned. They will operate within the financial-industrial groups with enterprises with different forms of ownership but under state control. Such associations will be headed by a general director appointed by the Cabinet of Ministers. He will be given a contract just like a state employee, and he will be responsible for the association's technical policy, the results of its economic activity, studying the market, exports, and preserving the production and scientific potential.

There should be 15-20 such financial-industrial groups in Ukraine, primarily comprised of enterprises subordinated to the ministry of machine-building and the ministry of industry. But these will be intersectorial associations. For example, if a chemical enterprise operates to serve a

shipbuilding yard, it should be a member of the same group as the latter. In Uzhhorod, for example, a furniture enterprise manufactures decorative details for ships. This enterprise should thus be part of the shipbuilding group. The same group can include the Mykolayiv turbine plant, which manufactures turbines for ships.

In accordance with this conception, financial-industrial groups cannot be formed in the spheres of services, trade, public catering, and agriculture—in any field where a competitive environment is essential. But in those spheres of the national economy that have the capacity to produce competitive goods for foreign markets, there is a need for a harsh state diktat, otherwise Ukraine will lose what it used to have.

The share of financial-industrial groups in industry should be close to 25-30 percent and include virtually all monopolies.

Under consideration is also the possibility of creating transnational financial-industrial groups that would put into operation together with Russian enterprises such unified production-technological complexes as: oil production in Western Siberia, transporting it to Ukraine, refining it at our enterprises, and selling it both here and in southern Russia. Transnational financial-industrial groups, involving both Russian and Ukrainian capital, are also needed in the production of KrAZ [Kremenchuk Motor Vehicle Plant] [trucks], which come off the conveyor in our country while Russia makes the motors that go into them, the production of LAZ [Lviv Motor Vehicle Plant] buses, etc.

Such large state financial-industrial groups exist in many Western countries, particularly in Italy and France—for example, the Renault and Fiat companies, in which the

controlling block of shares is owned by the state. In the United States such associations also receive state orders and are supported by the state, for example, General Electric, General Motors, and IBM.

The government is preparing to initiate a few pilot financial-industrial groups in different sectors of the national economy. These will encompass the production of television sets (on the basis of the Lviv Elektron Production Association), LAZ buses, dual-use airplanes on the basis of the AN-70, and shipbuilding aimed at building tankers.

The idea of financial-industrial groups in Ukraine has support at all levels. It has the support of government officials and bankers, businessmen and industrialists, and economists. However, some of them do not accept the idea of a "mandatory" association of enterprises, inasmuch as they argue that the basis on which enterprises unite into joint-stock companies with cross shareholding must be common interests dictated by market conditions and not solely the state's desire to preserve existing potential. According to Industry Minister Anatoliy Holubchenko, the ministry of industry has sent out proposals regarding the creation of financial-industrial associations in the chemical and metallurgical industries. In the opinion of the well-known economist, Oleksiy Kuznetsov, the principal task of the financial-industrial groups is to set up technological ties between enterprises in Ukraine, Russia, Belarus, Kazakhstan, and Uzbekistan. He regards the associations formed by the Mykolayiv, Zaporizhzhya, and Ural enterprises engaged in the production of aluminum and by the Kharkiv tractor plant and Rossilmash as examples of such financial-industrial groups. However, O. Kuznetsov believes that all mergers of banking and industrial capital must be based on the principle of voluntariness.

KAZAKHISTAN

State Program for Intensifying Reforms, Ending Economic Crisis

Text of Program

944K2109A Almaty KAZAKHISTANSKAYA PRAVDA in Russian 29 Jul 94 pp 1-3

[Republic of Kazakhstan State program of action for intensifying reform and emerging from the economic crisis: "In 15 Months, Government Promises to Create Conditions for Growth of Production and Increased Living Standard of the Population"]

[Text]

A. GENERAL SECTION

I. Introduction

1.1. The present program was developed in accordance with the decree of the Republic of Kazakhstan President dated 20 January 1994, No 1512, and is aimed at the realization of the tasks set forth in the June 1994 message of the president and the government memorandum sent to the Republic of Kazakhstan Supreme Council.

1.2. The program reflects the intent and plan of action of the government for accelerating reform and emerging from the crisis.

1.3. The program of action is conditionally divided into two stages.

At the first stage (July-December 1994), the scenario for development of reform rests on our own resources and minimal foreign loans, ensuring financing of the deficits in the budget and the payments balance in volumes necessary to reduce the monthly rates of inflation to a level below 10 percent by the end of the year. At the same time, intensive work will be conducted on stopping the decline in production of enterprises producing export products, attracting the necessary loans required for intensifying reform, stabilizing the economy and realizing the tasks of economic growth and a strong social policy.

The second stage (January-September 1995) is the stage of changeover of the economy, in the shortest time possible, to a scenario of development where the basic element will be not the limiting financial policy of the government in reducing the budget deficit by means of reducing expenditures, but a course of implementing anti-inflationary policy through minimization of the inflationary component of the budget deficit.

The third stage in the program of government action will signal a new economic course along a new program, which will be developed by this time, whose essence will be the continuation of the strict anti-inflationary policy, cessation of the decline in production and the living standard of the population, and creation of conditions for their growth.

1.4. The government will strive toward minimization during the time of the first and second stages. A series of measures characteristic for the third and second stages will be implemented at earlier stages, respectively.

1.5. The present program is the working document of the government. In this connection, it has structured the basic tasks of reform, a brief project (conception) of actions by the government for their resolution, and in consolidated form—the government steps for practical realization of its intent.

The given measures are to be detailed in the plan of action of the government, which will be approved annually and corrected on a quarterly basis.

1.6. The government intends to submit to the president of the republic quarterly reports on the course of realization of the present program.

Purpose and tasks of accelerating and intensifying reforms

2.1. The primary goal of the medium-range program of government action in accordance with tasks set forth in the June 1994 message of the president to the republic Supreme Council is to accelerate reformation of the economy, and on this basis—to stop the decline in production and in the living standard of the population, with their subsequent growth.

2.2. The basic tasks of the reforms are to reduce inflation and create conditions for consistent social orientation of the market economy, which presupposes the liberation of business, the creation of a strong private sector with a well-developed market infrastructure and competition, the uplift of production through introduction of highly effective technologies and new equipment, the formulation of a strict financial environment for activity of enterprises with a high degree of their financial responsibility, and an efficient and effective banking sector.

In this connection, the basic directions of accelerating and intensifying reforms are the following:

Liberalization of prices and a strong competitive policy;

Liberalization of commodity markets;

Anti-inflationary measures;

Reform of enterprises and increased financial control over the activity of economic subjects;

Accelerated development of the private sector and growth of business activity;

Intensification of social and ecological policy as a goal, and not as a means of implementing economic reforms, keeping in mind the expansion of institutions of social protection of the population and financial support of vitally important sectors of the social sphere;

Activization of structural transformations in the economy;

Liberalization of foreign economic activity;

Creation of a system of special-purpose social protection of the population;

Measures for equalizing the socio-economic development of the regions, and vital provision of small and medium-sized cities.

2.2.1. Within the framework of liberalization of prices, which still remain within the sphere of state regulation, it is necessary to increase them step by step to a level which

allows producers to cover their production costs without budget subsidies, rejecting the limitations on the level of profitability of production and sale of products and goods which have been introduced for enterprise-monopolists.

2.2.2. In terms of liberalization of commodity markets, it is necessary to repeal the system of state needs and to fully change over to the system of state purchasing.

With liberalization of commodity markets, **monopolism is eliminated** in the sphere of wholesale trade, cargo shipment, and foreign trade, which will facilitate the development of real competition and the determination of the true price of goods, and will also eliminate the permissive order of product export.

2.2.3. The main task of the government remains the continued implementation of **anti-inflationary policy**. The solution of this problem is associated with the coordinated implementation of macro-economic stabilization measures for reducing the budget deficit, reducing credit emissions and formulating and introducing at the micro-level the mechanism of improving economic conditions and declaring bankruptcy of unprofitable and ineffective enterprises.

2.2.4. **The reform of enterprises** includes, among other things, also **the isolation of the part of the economy which is plagued with non-payments**, and its treatment; a new style of management, and the implementation of final division of the finances of the government, the National Bank and the enterprises.

The formulation of a **disciplined financial environment** of enterprise activity demands the presence of strict and reliable mechanisms of bankruptcy, deposit and insurance, clear guarantees of payment for products and services, and synonymous division of the functions of the government and the National Bank.

2.2.5. The growth of the **private sector** in the economy will, as before, occur by means of transformation of the old state economy into a new one, as well as by means of formation of new private firms.

In both cases, reference is made to an active state policy directed at the accelerated development of the private enterprise corps.

The growth of **business activity**—the main factor of economic growth and, consequently, the growth in the living standard of the population—is to be ensured through increased incentives and motivations. The leading importance here will belong to reduction of the tax burden and elimination of the limitations on growth of the labor wage.

2.2.6. The government intends to provide for an increase in **social protection** of the population by means of defining the special-purpose state support of low income strata of the population, not allowing in the medium-range future a decline in the living standard of the population and creating real prerequisites for stabilization and gradual improvement of the material situation and living conditions of strata and groups of the population with fixed income.

III. Intent of the government program.

3.1. The government program intends to realize the following **conception or intent** in accelerating and intensifying reforms.

3.2. The model of reforms realized in 1992-1993 was inevitable for Kazakhstan due to the existence of the ruble zone, the impossibility of arranging transparent customs boundary, and the absence of necessary means for transformation of the economy.

3.3. The macroeconomic and systemic reforms which were implemented were **in principle correct**, but they were too **dominant** in the general economic policy. They were given primary attention, and were often implemented at the expense of and to the detriment of other components of general economic policy. The latter, however, served as a means for achieving the macro-economic goals.

In many ways, such a policy was objectively determined.

3.4. The reforms brought to light the non-viability of entire sectors of the economy. The disintegration of the USSR served as a catalyst for structural reorganization of production and intensified its crisis manifestations.

As a result, there was a major decline in production, and a curtailment of the social sphere to the limits beyond which a tangible decline in the living standard is possible.

3.5. The production and social **reserves of the given scenario of reform are close to being exhausted** and can no longer serve as the source for financing the course of reforms.

The economic crisis itself has taken on such a quality that emergence from it **is possible only through acceleration and intensification of reforms**.

The latter have reached that level when it is necessary to increase expenditures for their continuation and acceleration.

3.6. **Continuation** of the systemic transformations and anti-inflationary policy **on principles of self-provision** further aggravates the development of hyperinflation and the avalanche-like decline in production, and determines **the shifting of an even greater number** of people to the category of persons living below the poverty level.

3.7. **The intent of the reforms consists of intensifying reform itself, based on anti-inflationary policy, which will ensure overcoming the general decline in production and the drop in the living standard.**

We intend to find loan sources of financing which, on one hand, are non-inflationary, and on the other—make it possible to accelerate and intensify reforms and lay the groundwork for economic growth.

3.8. **The intent of the government** in realization of the defined tasks consists of changing over in the shortest possible time from the implemented macro-policy of limiting the money supply at the expense of the social sphere and production to another policy, whose essence consists of implementing the anti-inflationary policy not at the expense of reducing the budget deficit, but at the expense of minimizing the inflationary component of its financing.

B. BASIC DIRECTIONS FOR ACCELERATING AND INTENSIFYING REFORMS.

IV. Structural-investment policy

4.1. **Intent.** The government will continue implementation of structural transformations in the economy in the framework of the selected priorities—development of the sectors of the fuel-energy complex, the metallurgical complex and the gold-mining industry, saturation of the market with consumer goods and food products, and development of transport and communications.

The primary direction of the government structural policy is defined as the realization of programs of energy conservation and the modernization of production capacities in energy-consumptive sectors, keeping in mind the introduction of energy-saving technologies and equipment.

Under conditions of limited domestic investment resources, centralized state investments will be concentrated on realization only of projects having principle importance for the republic's economy. Foreign investments are viewed as an important source of structural transformations.

Monies from the fund for transformation of the economy, as before in the amount of 20 percent, will be directed on a non-compensatory basis for development of the social sphere. These are primarily the facilities of public health, municipal services and water supply, facilities of republic target programs, housing construction for budget organizations and for persons of native nationality returning to their historic homeland, as well as facilities of all-republic significance carried over from 1994 with construction readiness in excess of 80 percent.

Preferential long-term crediting of other priority projects will be implemented by the bank for reconstruction and development which will be created after conducting a comprehensive expert investigation, and on conditions of strict responsibility for special-purpose application and returnability of funds.

4.2. **Actions of the government.** In 1994, work will be continued on creating a unified power system for Kazakhstan by means of construction of electrical transmission lines connecting the northern and southern power systems, as well as the construction of the Ekibastuz GRES-2 [State Regional Power Plant], the South Kazakhstan GRES and the start of construction of the new Aktyubinsk TeTs [main heat and power plant].

Resolution of the problem of reducing Kazakhstan's dependence on supplies of petroleum products and overcoming the chronic shortage of petroleum products on the domestic market, as well as expanding the export of oil and petroleum products, presupposes the continued construction of the Western Kazakhstan-Kumkol oil pipeline, the development of oil and gas deposits (Karachaganak, Tengiz, Kumkol) with the participation of foreign companies, the reconstruction and expansion of the Atyrauskiy, Pavlodar and Shymkent oil processing plants, and the development of petrochemical production facilities for the manufacture of propylene and benzene.

The problems of the coal industry will be solved during the first and second stages. In this plane, in 1994-1995 measures will be adopted for optimal use of coal reserves, stabilization of its extraction at the Ekibastuz deposit, expansion of production at the Shubarkolskiy and Maykubenskiy deposits with gradual removal from use of low profitability and unprofitable mines in the Karaganda Basin, and development and comprehensive application of small coal deposits.

In ferrous metallurgy, the orientation will be held toward increasing the relative share of output of third conversion products (expanding production of welded pipes, including of the oil and gas assortment, various makes of ferrochrome, etc.). In non-ferrous metallurgy, the orientation will be toward development of an ore base ("Shalkiya" mine in Kzyl-Orda Oblast, "Maleyevskiy," "Chekmar" and "Artemyevskiy" mines in East Kazakhstan Oblast—for mining polymetallic and lead-zinc ores; the "Obukhovskiy deposit in Kokshetausk Oblast and the Shokash deposit in Aktyubinsk Oblast—for titanium-containing ores; Northern Kotpar in Zhezkazgansk Oblast—for mining tungsten ore, and others), reconstruction and technical retooling of existing productions (PO [production association] "Balkhashmed," NPO [scientific-production association] "Zhezkazgantsvetmet," the Shymkent Lead Plant and the Ust-Kamenogorsk Lead-Zinc Combine), and acceleration of work on developing the Vasilkovskiy, Bakyrchikskiy and Akbakayskiy gold deposits.

In 1994-1995 the policy of ensuring Kazakhstan's access to international railway (development of the Druzhba station), seagoing (reconstruction of the port in the city of Aktau), air (reconstruction of airports in the cities of Almaty, Aktyay, and Karaganda) lines and highways will be continued.

A most important direction in the structural policy is the realization of the program for conversion of defense industry enterprises. In 1994-1995 the state, at the expense of monies from the fund for transformation of the economy, will support the re-profiling of these enterprises for production of civilian products for purposes of saturating the consumer market.

The agrarian policy will be aimed at the continued development of market relations in the agro-industrial complex.

In 1994-1995 the government, in the sphere of agrarian policy, intends to take measures for developing the land market, mortgage credit, and mortgage law; for actively reforming extensive agricultural production and the agro-industrial complex as a whole on the basis of replacing the forms of ownership; for formulating a multi-structured rural economy and providing for the integration and cooperation of sectors of the APK [agro-industrial complex] by means of stockholding of rural goods producers in enterprises processing agricultural raw materials; and for developing the necessary legislative and standard statutes for this.

V. Competitive policy and liberalization of prices.

5.1. **Intent.** Free prices are one of the main components of a market economy. A price is free if it is not subject to

regulation by the state, if its components such as expenditures and profits are not distorted by all sorts of encumbrances and taxes, benefits, subsidies, limitations of profitability, etc. In the first case, the price is subject to direct, and in the second—to indirect regulation.

In 1994, the government will reduce the list of goods and services whose prices are regulated by the state. The following remain under state regulation until the end of the year: Rates on cargo and passenger transport by rail; electrical and thermal energy produced by the power systems of the "Kazakhstanenergo" company; prices on natural gas; rent on apartments; rates on municipal services to the population, and basic communications services. Regulated prices and rates will gradually be increased to a level which allows producers to cover their expenses.

The government presumes that as a result of liberalization of prices on power resources and other structure-forming types of products in 1994, in 1995 the factor of inflation associated with the formulation of the new price structure close to that of the world price structure, will not have a significant effect on growth of prices.

In 1995 the government intends:

To gradually free prices on bread and reduce subsidies accordingly; to change over to a system of special-purpose compensatory payments from the state budget to low-income strata of the population;

To increase payments for housing-municipal services to amounts which would ensure compensation of production cost, and subsequently freeing them; to implement special-purpose compensation of expenditures to low-income strata of the population;

To perform state purchases of foodstuffs, and payment for work (services) on a competitive basis at contract prices;

To develop the practice of forward-futures contracts in purchase and sale of agricultural products;

To develop a mechanism which would ensure a reduction in the number of trade-middleman organizations and individuals along the path of goods from republic goods producers to consumers;

To establish a unified methodological approach to formulating prices for all economic management subjects (order of relating expenditures to production cost of products, unified rules of formulating free prices, etc.);

Simultaneously with tax reform, to clear production costs of various sorts of taxes in the form of deductions to various special-purpose funds.

There will be a changeover from the practice of limiting the profitability of enterprise-monopolists to implementing control over the level of their prices through identification of prices which have been monopolistically raised, for the purpose of preventing them from realizing super-profits.

Bilateral and multilateral agreements concluded between enterprises for mutually limiting the growth of prices should be widely implemented.

The status of the State Committee on Pricing and Anti-Monopoly Policy will be strengthened for purposes of limiting and suppressing monopolism at the republic level, de-consolidating monopoly structures, repealing administratively granted monopoly rights and benefits, and creating equal conditions for all economic management subjects. The status of workers of the supervisory agencies will be elevated, and their legal and social protection will be increased in order to prevent cases of pressure being exerted on them.

Work on protecting the rights of consumers against the dictate of monopolists, and isolation and suppression of cases of dishonest competition, requires serious activation.

5.2. Government action. Every year, in development of the budget the government will realize the above-proclaimed policy in regard to direct regulation of prices.

In August of 1994, a proposal will be presented to the Supreme Council to repeal the outdated law, "On Price Formation," and changes will also be introduced into the Cabinet of Ministers decree of 23 March 1994, No 288, "On Liberalization of Prices on Power Resources and Regulation of Rates on Certain Types of Services," in terms of narrowing the list of regulated prices.

Simultaneously with the introduction to the Supreme Council of the draft Tax Code, suggestions of repeal or amendment proposals will be introduced for the laws, "On the Fund for Transformation of the Economy," "On the Road Fund," and others.

In September of 1994, a new edition of the law, "On Developing Competition and Limiting Monopolist Activity," will be introduced to the Supreme Council, and changes and amendments will be introduced into the Kazakhstan SSR Law, "On Protection of Consumer Rights."

From September through December of 1994, government decisions will be reviewed relating to the creation of national and state joint-stock companies and holdings in regard to their correspondence to anti-monopoly legislation.

In August of 1994, a government decision will be adopted on stepping up work on protecting consumer rights and strengthening the Union of Consumers of Kazakhstan.

With the adoption of the new edition of the anti-monopoly law, the statute on the State Committee on Pricing and Anti-Monopoly Policy will be clarified.

Before the end of 1994, the government will adopt a series of standard statutes on elevating the social-legal status of workers of the law enforcement agencies.

VI. Liberalization of commodity markets.

6.1. Intent. The repeal of indirect regulation of prices depends largely on the liberalization of the existing commodity markets. The latter presumes the removal of existing barriers in domestic and foreign trade, as well as the obliteration of differences between them.

6.1.1. In domestic trade, there will be a final rejection of the system of procurements of products and goods for state needs, from various sorts of state and oblast orders to a changeover to a system of state purchasing, when the state enters the market as an equal subject.

Exchange trade will be stepped up, and a gradual transition will be implemented toward sale of republic-produced products and goods at commodity exchanges, with utilization of the capacity for rapid transfer of information over the computerized exchange information network, which will make it possible to reduce the time spent for searching for the necessary goods and to reduce costs.

The government will accelerate the processes of privatization and denationalization of enterprises and organizations in the sphere of truck cargo shipments and wholesale trade, which will make it possible to liquidate the monopoly structures which have been formulated there.

The government will create a system for monitoring the liberalization of especially important commodity markets in the country with consideration for their specifics. For example, the oil market as the country's main strategic resource will be subject to significant centralized limitations. For this purpose, the existing system of taxation in the oil sector will be reviewed, for which it is expected that one of the main forms of payments will be royalties, with their amount established depending on the volume of extracted oil. Also, a tax will be introduced on domestic sale, with repeal of all currently existing taxes.

On the other hand, the grain market will be subjected to maximal liberalization, with exchange trade in grain using forward and futures deals becoming its basis. Guarantees of fulfillment of these deals will be provided by special centers created at the exchanges for insuring risk through deposits. This will make it possible to principally reject the issuance of state preferential credits and other benefits to agriculture, which seriously distort the real cost of grain and other APK products.

For this same purpose, liberalization of prices on grain crops will be implemented, with repeal of state mandatory price limitations.

6.1.2. For continued liberalization of foreign trade, the necessary conditions must be created for direct access of the republic's economic management subjects to foreign markets. For this purpose, we intend to reject the state monopoly in foreign trade as embodied by state foreign trade companies, depriving them of state status by means of privatization, and thereby making them equal in rights with other economic management subjects of the republic in their operations on commodity exchanges.

Liberalization of foreign trade requires liquidation of the system of setting quotas and licensing the export of goods (work, services), which is possible by means of a step-by-step changeover from distribution of quotas and issuance of licenses to their sale in 1994 at auctions held at the commodity exchanges. Starting in 1995, the government intends to discontinue the definition of a list of products of state significance and the issuance of quotas and licenses on export of goods (work and services), with the exception of resources which are especially significant for the state.

At the same time, the government will retain in its hands the mechanism of direct and indirect control over currency and export-import operations.

6.2. Government actions. In September of 1994, the Republic of Kazakhstan Supreme Council decree of 18 December 1992, No 1798, "On Ensuring Deliveries of Products, Fulfillment of Work (Services) for State Needs," will be submitted to the Supreme Council for repeal, and changes and amendments will be introduced into the Cabinet of Ministers decree of 21 January 1993, No 58, "On the Order of Procurement and Delivery of Goods And Fulfillment of Work (Services) for Ensuring State Needs," in terms of the changeover from the system of state requisitions to that of state purchases.

In April 1994, the new Republic of Kazakhstan law, "On Commodity Exchanges," was submitted for ratification to the Supreme Council. This law contains the organizational-legal principles of exchange trade and the mechanism of state regulation of commodity exchange activity.

In September of 1994, the draft law, "On Oil," aimed at the creation of a National Oil Company, is to be submitted to the Supreme Council. In November of 1994, the draft Tax Code of the Republic of Kazakhstan will be submitted to the Supreme Council, which with consideration for the changes will unify all the tax laws for the purpose of reducing the tax burden, ensuring simplicity and effectiveness of the tax system, and significantly reducing the currently existing taxes, payments and deductions to various special-purpose funds.

In October of 1994, the draft edict, "On Liberalization of Foreign Economic Activity," will be submitted to the president for ratification. It will provide for the repeal of the statutes in the Presidential Edict of 18 April 1994, No 1672, "On Introducing Changes and Amendments to Edicts of the President of the Republic of Kazakhstan of 30 July 1993 No 1311, and of 11 January 1994 No 1498 and 1499," for the purpose of eliminating the monopoly of state foreign trade companies on the export of products of state significance. Changes have also been introduced into the Cabinet of Ministers decree of 26 April 1994, No 435, "On Setting Quotas and Licensing the Export and Import of Goods (Work, Services) on the Territory of the Republic of Kazakhstan," for the purpose of rejecting quota setting and licensing of export of goods (work, services) in 1995.

In October of 1994, the draft law, "On Food Products," will be submitted to the Supreme Council.

VII. Reduction of inflation

7.1. Intent. The government will implement a strict anti-inflationary policy through the appropriate budget and credit policy, and also through introduction of procedures of improving economic conditions and declaring bankruptcy.

7.1.1. In implementing a strict budget policy, the government intends at the first stage to limit the budget deficit at the level of 4.6 percent of the gross national product (GNP), subsequently moving toward minimization of the inflationary component of financing the budget deficit. Reform of the budget of 1994 will be directed toward changing the

structure and sequestering expenditures with consideration for the income received.

The reduction of the expenditure portion of the budget in 1994 will be performed by means of introducing strict limits on subsidies and assistance payments. Outright as well as hidden subsidies will be reduced, with simultaneous changeover to highly focused social protection of the low-income strata of the population. The government will continue to reduce budget subsidies of prices on regulated goods and services, compensating them only for the low-income strata of the population.

The government intends to reduce the labor wage fund of budget organizations, primarily by means of reducing the numbers and rationalizing the employment of workers of state institutions and the executive branch of power, limiting it to a sum of no more than 3 percent of the GNP.

The government will provide, if necessary, measures for sequestering budget expenditures depending on the available income, if the implemented policy in the tax-budget sphere does not yield positive results and the budget deficit continues to grow. Under these conditions, the expenditure portion of the budget will be used primarily for social needs, for payment of wages, as well as for purchase of grain and medicines.

Starting in 1995, as a result of the reduction of taxes and the increase in target expenditures, the budget deficit will increase sharply. Its financing will be performed primarily through domestic and foreign loans, with a clearly developed mechanism of their repayability.

Domestic state loans will be funded through the sale of short-term and medium-term state treasury bonds.

Provision has been made for the strategy and mechanisms for attracting foreign loans by implementation of control over the sum of the foreign debt and accumulation of domestic reserves intended to pay off the obligations on servicing the foreign loans. These measures will be realized by the recently formed treasury within the system of the Ministry of Finance. **The status of the Ministry of Finance in all aspects of state finance policy will be significantly strengthened.**

7.1.2. The government will implement a moderately strict monetary-credit policy directed at **reducing inflation.**

This will be implemented together with completion of the reform of the banking system.

Measures will be taken to reduce the volume of credit emissions, to ensure timely and complete repayment of credits, to develop a credit market on the basis of increasing the volumes of sale of credits through auction, and to maintain the re-financing rate of the National Bank at the level of market values, considering the level of inflation. Moreover, the government is taking a course toward liberating the banking system from the obligations on centralized state credits.

The government will implement control over banking activity by means of organizing an audit of the country's major commercial banks, and will also take measures for improving coordination of work between the government

and the National Bank. The work of the government will be concentrated on questions of finance policy, while that of the National Bank will be focused on monetary-credit policy.

The government intends to complete accounting of indebtedness without additional credit emission, paying off the indebtedness of debtor-enterprises by declaring them bankrupt (except for enterprises of state significance) and selling off their property and funds at auction or transferring them to creditors capable of paying off their debts.

The government intends to implement the recapitalization of banks through the output of state securities on stock of unprofitable enterprises and unrepaid loans which will be covered from the funds of the appropriate bank-creditors.

Measures will be taken to limit the volume of credits to enterprises, including agricultural enterprises, for which untimely repayment of the debt and its further prolongation is possible.

The government will make the necessary efforts to liquidate the system of distribution of credits and finance subsidies, which hinders access to finances by the most effective and viable enterprises and supports the ineffective and unprofitable types of production.

There are plans to legislatively prohibit banks with foreign participation from engaging in commercial servicing of residents of the Republic of Kazakhstan.

The National Bank will continue its policy of increasing credit resources granted through trading sessions, and will bring their relative share in the overall volume of credit resources to 75 percent by the end of 1994.

Starting in 1994, the National Bank will begin to withdraw from questions of crediting commercial banks and productions, and will concentrate its activity on reform of the banking system and stabilization of monetary circulation and the tenge.

The independence of the National Bank from executive and legislative power will be ensured, and it will be transformed into the country's reserve system.

7.2. **Government actions.** Before the end of 1994, the government will submit to the Supreme Council a number of amendments to the law, "On the Budget System of the Republic of Kazakhstan." The basic measures for implementing a strict budget policy will be provided in the draft budgets submitted to the Supreme Council.

In September of 1994, a new edition of the Law on Bankruptcy of Enterprises and Organizations will be submitted to the Supreme Council.

Before the end of 1994, the government and the National Bank will submit to the Supreme Council of the Republic of Kazakhstan a series of changes and amendments to the laws, "On the National Bank of the Republic of Kazakhstan," and "On Banks in the Republic of Kazakhstan."

In August of 1994, the National Bank will develop proposals for conducting audit inspections of the republic's major commercial banks for 1994 and for the medium-term future.

In August of 1994, standard statutes will be adopted which provide for material and administrative responsibility of debtor enterprises and their managers for untimely repayment of indebtedness.

In August of 1994, there are plans to adopt the Cabinet of Ministers decree on crediting agriculture of the Republic of Kazakhstan and limiting the portion of credits on which repayment extensions may be granted. Also, the decree of the Cabinet of Ministers of the Republic of Kazakhstan on granting loans on the domestic market through the sale of state treasury bonds will be adopted.

VIII. Creation of prerequisites for economic growth.

8.1. Reform of industrial enterprises and revitalization of the financial environment.

8.1.1. Intent. In order to create an atmosphere of a disciplined attitude toward financial obligations on the part of producer enterprises as well as on the part of the government, the Cabinet of Ministers will introduce strict sanctions for delays of payments, will discontinue the practice of conducting mutual accounting of indebtedness between enterprises, will apply legislation on bankruptcy for insolvent enterprises, and will support the preliminary demand of enterprises on other guarantees of timely payment for supplied goods and products.

In order to accomplish this, the fate of unprofitable enterprises will first of all be determined. For this purpose, a list will be compiled of all unprofitable enterprises and those which should be revitalized, i.e., those in need of state support, as well as a list of enterprises subject to deconsolidation or simply liquidation.

To resolve the questions of improving economic conditions or declaring bankruptcy of enterprises, the government intends to create an appropriate finance institute subordinate to the Ministry of Finance, which will serve to restructure and financially revitalize unprofitable enterprises, as well as an agency dealing with financial rehabilitation of enterprises.

The "treatment" of sick enterprises presupposes their isolation from outside sources of financing, with cleansing of all financial obligations. Attempts at improvement of the economic conditions of an enterprise will be performed for no longer than 1-1.5 years, after which the "bankruptcy" decision regarding its fate will be adopted.

The government will undertake a radical reform of the Agroprombank [agricultural-industrial bank], having in mind its transformation to a holding type credit institution.

Measures will be taken for significantly strengthening the system of judicial proceedings and the agencies of law enforcement and arbitration which are responsible for fulfillment of contractual relations.

The existing legislation will also be revised and improved to give a more precise definition of the rights and responsibilities relating to ownership, and to create the necessary legal base to meet the needs of the market economy.

Moreover, the government intends to rid enterprises of activity outside their description, under which they bear the burden of social responsibilities (education, pre-school care, medical services, cultural and recreational facilities, and adherence to implementation of the state program of employment).

The government intends to introduce serious corrections to the system of administering state enterprises and to the structure of their management, adhering to the principles of state priorities, independence and demonopolization.

8.1.2. Government actions. In October of 1994, the Cabinet of Ministers will define the mechanism (special statute) regulating the process of creating joint enterprises and productions, one of the founders of which is a state enterprise.

For stimulating domestic as well as foreign investment activity, as well as for protecting the domestic market, the government will submit for review by the Supreme Council in July-August 1994 drafts of new laws on foreign investments and on the system of leasing relations, as well as amendments and changes to the land legislation.

As we have already noted, in September of 1994 the Supreme Council will be given a new edition of the law, "On Bankruptcy," which will specify bank responsibility for placement of credits and for granting credits at lower interest rates than the market rates. The law will give a detailed description of the mechanism which will make it possible to adopt the decision on declaring an enterprise bankrupt by the agencies of arbitration, by the court, by declaration of the creditors, or by tax agencies, banks, and state finance agencies. It will also present a statute on the order of action following the decision to declare bankruptcy of an enterprise.

In August of 1994, the government will submit for ratification a draft presidential edict on creating a financial institute under the Ministry of Finance and a draft presidential edict on creating an agency dealing with the financial rehabilitation of enterprises.

In August-September 1994, a packet of standard documents will be developed on procedures for improving the economic conditions of enterprises and for declaring their bankruptcy. Among them will be the instructions of the National Bank on classification of loans, on financial provision of loans to unprofitable enterprises, on the creation and principles of activity of a coordinating council for bank-creditors of unprofitable enterprises, on development and realization of programs of reorganization or liquidation of unprofitable enterprises, as well as the instructions of the Ministry of Finance on the procedure for decapitalization of banks, etc.

Immediate measures must be implemented for increasing responsibility of economic management subjects in performing accounting in the national economy and ensuring payments to the budget.

In connection with this, there are plans to create a mechanism which allows the tax agencies to exact from the currency accounts the sums equivalent to the budget indebtedness (in tenge).

Moreover, if enterprises are late in settling accounts with the budget due to untimely receipt of funds from contractors, the tax agencies may have the opportunity to exact payments from the accounts of the debtors.

All these measures will be realized in the presidential edict, whose draft the government will introduce in July of 1994.

In 1995, the basis of a new system of bookkeeping accounting will be created, and introduced after its final reworking in 1996.

The government will adopt the decision on transferring functions which are not within the description of a producer to the heads of local administration. For this purpose, the following will be developed and approved in July-August of 1994:

- a statute regulating the order of operation of social-cultural-domestic facilities held on the balance sheet of the enterprises;
- a statute on privatization of social-cultural-domestic facilities, or issuance of a temporary statute permitting the sale of these facilities by competition or their transformation into joint-stock companies, with the introduction of a prohibition on changing their description;
- a statute on maintenance of housing, non-residential facilities and municipal services.

In September of 1994, the government will introduce for review of the Supreme Council draft laws on regulating, at the level of heads of local administrations, the procedure for utilizing social-cultural-domestic facilities so as not to allow termination of their services to the population, as well as draft laws on financing part of the expenditures for maintaining facilities of the social infrastructure handed over to local organs of power at the expense of the state budget, under the condition of precise definition of the source of financing of the new expenditures.

In September-December of 1994, along with measures for demonopolizing the holdings which have been created, the government will introduce the necessary changes into the effective standard statutes regulating the creation and functioning of holdings and national joint-stock companies.

Prior to the end of 1994, a new law, "On State Enterprises," will be adopted, with a formulation for repeal of the law, "On Enterprises in the Kazakh SSR."

8.2. Privatization.

8.2.1. **Intent.** Privatization, as this is envisioned by the national program for denationalization and privatization for 1993-1995 (stage II), will be implemented along four directions:

- privatization of small facilities in the sphere of trade, public catering, services, cargo- and passenger transport and other spheres (small-scale privatization);

—creation of the possibility for realization of the right of ownership for broad strata of the country's population and their acquisition of practical experience in work with securities (mass privatization);

—creation of an optimal organizational structure of base enterprises in key sectors and determination of the relation of private and state participation in their management, as well as attraction of domestic and foreign investors (privatization on individual projects);

—formation of a multi-structured economy in agriculture, increasing its effectiveness, stimulating entrepreneurial activity and developing the competitive environment (privatization in the agro-industrial complex).

The first direction encompasses primarily facilities having up to 200 workers, and their privatization is implemented by means of auction-commercial sale with the use of monetary means and remaining housing coupons.

The second direction encompasses all enterprises which are not part of the agro-industrial complex and not included in small-scale privatization and privatization by individual projects. In the process of privatization, the public is given the opportunity to acquire the right of ownership by means of exchanging privatization investment coupons for stock in investment privatization funds, which buy up the stock of enterprises. More precise definitions are to be introduced into the existing mechanisms, ensuring the creation of a mechanism of state guarantees of liquidity of privatization investment coupons.

The third direction encompasses large enterprises which are monopolists (excluding export enterprises which are monopolists on the world market) and having specific national economic significance. The realization of individual projects is implemented by means of selling to the investor on agreed-upon conditions (tender), by selling from auctions and through commercial competitions, or by concluding contracts for management or open sale of stock in the enterprises. In this case, domestic investors will receive priority, and a clearly defined legal base for protecting the interests of foreign investors will be developed.

The fourth direction encompasses the circle of enterprises engaging in the processing of agricultural products and provision of services to agriculture. Privatization of the enterprises of the agro-industrial complex is performed with the mandatory delineation of the property and the land portions. The sale of state agricultural enterprises to private ownership of citizens and the transfer of part of the property of sovkhozes [state farms] to the ownership of the directors will be permitted.

Aside from this, **the national program of denationalization and privatization will be clarified** in individual instances, specifically in regard to strengthening the interest of the labor collectives through appropriate shares of stock in privatized enterprises.

In this connection, the government intends to reduce the relative share of state property in state-controlled facilities from the currently established 51 percent to 31 percent. At the same time, priorities in purchasing will be given to the labor collectives and domestic entrepreneurs.

The functions of management of state property and the functions of its privatization will be implemented by separate agencies and their structures.

The ideology of unification of enterprises will be clarified: This calls for strengthening voluntariness and competitiveness, as well as making broader use of other forms of unification (associations, concerns, corporations, etc.), and not just holdings and national joint-stock companies, as is the case at the present time.

For purposes of adequate measurement of the monetary and cost indicators and wear of fixed capital, a monetary accounting unit will be introduced which is not subject to inflation, after a preliminary re-appraisal of the charter and fixed capital.

8.2.2. Government actions. To create conditions for implementing coupon-auction trading sessions and introducing mechanisms of state guarantees of liquidity of privatization investment coupons, in November of 1994 the government will submit proposals on introducing changes and amendments to the Edict of the President of the Republic of Kazakhstan dated 5 March 1993, No 1135, "On the National Program of Denationalization and Privatization in the Republic of Kazakhstan for 1993-1995 (stage II)."

In September of 1994, the government will adopt a decision on organization of specialized auctions for the sale of facilities held in state ownership within the framework of small-scale privatization and with the participation of foreign buyers.

To ensure the conditions of formulation of a rational network of full-fledged and effective investment privatization funds, in November of 1994 the Cabinet of Ministers of the Republic of Kazakhstan decree on the rules of merging and consolidation of investment privatization funds and mechanisms for increasing the effectiveness of their activity will be adopted.

In October of 1994 there are plans to introduce for ratification the draft edict of the president and to adopt the decree of the Cabinet of Ministers on re-appraisal of charter and fixed capital of enterprises and organizations, as well as on introducing the accounting unit of measure for cost indicators.

In October of 1994 the government will adopt decisions ensuring the necessary conditions for attracting foreign investments to enterprises of sectors of the production infrastructure: Telecommunications, railroad transport and power production. The privatization of these enterprises will be implemented according to individual products by means of selling up to 45 percent of their stock to foreign investors at international tenders.

Such an approach will facilitate the resolution of numerous problems. Foreign investments in power production will make it possible, aside from technical re-tooling of enterprises and increased volumes of coal mining, to ensure the stable operation of the enterprises and the more complete employment of the population in the regions. In railroad transport, renovation of the outdated rolling stock will be implemented, which should lead to the growth of the volumes of transport. Without foreign investments in the

telecommunications sector, the successful implementation of development of the banking system is impossible.

The government will continue work on creating transnational companies, primarily with Russia.

In November of 1994 the government will submit to the President of the Republic of Kazakhstan proposals which provide for the creation of mechanisms of state guarantees of liquidity of privatization investment coupons.

In December of 1994 the government will adopt decisions on measures for demonopolization and development of national joint-stock, state joint-stock and holding companies, keeping in mind their transformation into financial-industrial groups.

Within the framework of developing the legislative base in all directions of privatization, in September of 1994 the government will submit to the Supreme Council of the Republic of Kazakhstan new editions of the Republic of Kazakhstan laws, "On Denationalization and Privatization," and "On Economic Partnerships, Joint-Stock Societies and Companies."

8.3. Reduction of the tax burden.

8.3.1. Intent. The government of the republic, considering the weak role of the currently effective tax system in revitalizing the economic situation, plans to implement reform in this direction. Its goal is to increase the business activity of producers and entrepreneurs, as well as their responsibility in ensuring economic growth and revitalization of the finance system by means of increasing the stimulating role of taxes and establishing strict control and increased responsibility of taxpayers.

A Tax Code will be developed, which will include the entire system of taxation and provide for an administrative system of its provision and measures of responsibility.

The Tax Code will unite all the tax laws, with consideration for the changes, thus ensuring the unified application of tax statutes over the entire territory of Kazakhstan, and will eliminate all contradictions between various legislation. It is necessary to exclude tax statutes which are reflected in all non-tax laws.

The principle of the tax base will be comprised of taxes on income from legal persons and individuals (tax on profits, income tax, value-added tax, excise tax and others).

Considering the progressive nature of the indicated taxes and their significance as the principle sources of budget revenues, there are plans to improve the computation procedure and to simplify the mechanism of their action. The role of payments such as royalties and bonuses will be significantly increased in legislative order.

Simplifying the tax system and giving it a stimulating character require the step-by-step determination of a single tax rate on profits and on the value-added tax, without any dependence on the forms of ownership, sector or subjects of economic management.

For these same purposes, the number of tax benefits of a sectorial as well as of a temporary character will be reduced to a minimum.

As a result, it is necessary to ensure that the total sum of tax withholdings from the income of legal persons does not exceed 40-45 percent of their profits, and does not prove to be an inhibiting factor to the growth of production volumes.

The system of collecting income tax from individuals will be simplified. The income tax rates will remain progressive, but the maximal rate will not exceed 40 percent, so as not to weaken the incentives for business activity. For purposes of social protection of individuals with low income level, the progression of tax rates must be smoother.

For payers of tax on profits, regardless of the forms of ownership, there are plans to establish a unified methodology of computing the taxable profits, with a review of the effective system of relating expenditures to production cost of products.

As for excise taxes, the list of goods subject to these taxes is to be expanded.

For purposes of preventing evasion of excise tax payments on goods produced in Kazakhstan, collection of excise taxes will be performed from goods producers at the time of sale of the goods subject to the excise tax, and for goods imported from beyond the state boundaries—at the time of customs formulation.

In order to prevent unequal conditions of economic management, the rates of excise taxes on imported goods will not be set lower than the excise tax rates on analogous goods made by Kazakhstan goods producers.

The procedure for computing the amounts of land tax is to be clarified, as well as the amounts of tax on property of individuals and fixed (rent) payments.

For all types of enterprises, regardless of their form of ownership and economic management, a unified annual financial reporting will be introduced for this period, with repeal of the quarterly report.

Work will be performed on training skilled tax specialists and on computerizing the tax system.

Every taxpayer will be given an identification number, under which payment of taxes will be made.

8.3.2. Government actions. For the purpose of reviewing all taxes and fees collected from legal persons and individuals, in November 1994 the government will submit a draft of the new Tax Code to the Supreme Council of the Republic of Kazakhstan.

In order to reduce the tax burden, it is necessary to eliminate a number of special-purpose funds. In June of 1994, the draft law of the Republic of Kazakhstan, "On the Republic Budget for 1994," was introduced to the Supreme Council, which provides for revision of the upper limit of income tax imposed on individuals.

To clarify the order of collecting (computing) the value-added tax, excise tax, land tax, tax on property of individuals, fixed (rent) payments, the draft laws, "On Introducing Changes and Amendments to the Laws of the Republic of Kazakhstan, 'On the Value-Added Tax,' 'On

Excise Taxes,' 'On the Tax on Property of Individuals,' 'On the Land Tax', and 'On Fixed (Rent) Payments.'" will be introduced.

In September of 1994, the draft laws of the Republic of Kazakhstan, "On Taxation of Profits and Incomes of Enterprises," and "On the Income Tax from Individuals," will be introduced.

In November of 1994, draft laws on introducing changes into certain legislative statutes will be submitted for the purpose of excluding tax statutes from all non tax-related legislative statutes.

In order to strengthen the material base of the tax service, in September of 1994 the appropriate decree of the Cabinet of Ministers of the Republic of Kazakhstan will be adopted.

To increase responsibility for non-payment of taxes, in December of 1994 the Republic of Kazakhstan draft law, "On Introducing Changes and Amendments Into the Criminal Code of the Kazakhstan SSR," will be presented to the Supreme Council.

8.4. Reforming the labor wage and increasing its stimulating role.

8.4.1. Intent. Work will be performed on improving the existing system of the labor wage. Reference is made to improving the unified rate schedule and introducing a unified republic-wide classifier of professions.

The state guarantees its citizens that minimum of consumption which will be defined by the laws as being the minimal social standard.

The basis of reform of the labor wage system shall be the following:

Development of the conception of the labor wage for state employees;

Development of the conception of material stimulation of labor;

Gradual removal of the dependence between the labor wage of managers of enterprises of all forms of ownership on the amount of the average wage;

Removal of limitations of the consumption fund when the level of inflation reaches 4-6 percent.

8.4.2. Government actions. Depending on the economic situation, the amount of the minimal labor wage will be reviewed.

The implementation of the present statute demands preparation of the draft decree by the Supreme Council of the Republic of Kazakhstan, "On the Amounts of the Minimum Wage."

In December of 1994, the adoption of a decree on developing a unified rate schedule and introduction in 1995 of a unified republic-wide classifier of professions is envisioned.

To increase the responsibility of workers of the state service, a conception for the labor wage of state employees shall be prepared.

When the level of inflation declines to 4-6 percent a month, the government will repeal its decree of 8 February 1994, No 148, "On State Regulation of Funds Directed Toward Consumption."

IX. Development of enterprise.

9.1. Intent. Based on the decisive role of stimulating legal, financial-economic and organizational conditions in the formulation and development of civilized entrepreneurship, the government plans to implement a set of measures in this sphere within the framework of a state program for support and development of entrepreneurship in the Republic of Kazakhstan for 1994-1996.

The main goal of this program is envisioned by the government to be the creation of the necessary conditions for formulating a strong private sector of the economy and a well-developed infrastructure of private enterprise (especially small-scale), ensuring the emergence of a real competitive environment in the economy of the republic, which will require the creation of no less than 150,000 subjects of private enterprise in Kazakhstan.

The government will resolve the following basic tasks, which are determined by the generalization of experience of the developed countries of the world and by the economic situation which has been formulated in the republic.

Measures will be taken to improve the legislative-standards base of entrepreneurship in the direction of ensuring inviolability, protection of private property and freedom of entrepreneurial activity.

There are also plans to step up the formation and development of effective institutes of the market infrastructure. Here the government intends, first of all, to provide aid in creating and developing mechanisms for functioning of regional centers for small-scale business.

The government will more consistently organize and coordinate the work of state and non-state structures in questions of training and re-training of entrepreneurial cadres.

The creation of mechanisms for financial and production-technological support of private enterprise by the state is envisioned, keeping in mind primarily free access to credit resources, unutilized production facilities, equipment, etc.

Measures for the support of foreign economic activity of entrepreneurs will be defined and implemented, as well as for creation of necessary conditions for attracting foreign investments to the formulation and development of entrepreneurship, for organizing business contacts of entrepreneurs with foreign partners, and for creating equal opportunities for subjects of foreign economic activity.

Finally, the development of agencies for state support of private enterprise is outlined, and their interaction with entrepreneurial unions and associations.

The stated directions of state support of the formulation and development of private enterprise are reflected in the program of state support and development of entrepreneurship.

9.2. Government actions. The actions of the government on realization of these goals will be specified in a plan of

measures and tasks on the realization of the State Program for Support and Development of Entrepreneurship in the Republic of Kazakhstan for 1994-1996, ratified by decree of the President of the Republic of Kazakhstan dated 10 June 1994, No 1727.

X. Foreign economic activity

10.1. Intent. The continued liberalization of foreign economic activity is one of the basic directions of government economic policy in 1994-1995. In accordance with this, there are plans to improve the system of customs control and customs tariffs; to harmonize it with the international legislation (GATT [General Agreement on Tariffs and Trade]); to consistently reduce the state monopoly on export and import of products of state significance and to completely discontinue the practice of granting benefits on payment of export-import tariffs and on mandatory sale of currency receipts.

The government believes it important to establish strict accounting of the currency revenues and payments on the basis of creating an automated system of currency control with the use of reporting documents, a volume of export-import quotas and licenses, and information on customs and bank currency operations.

An important role in implementing the structural changes in the economy of Kazakhstan will be relegated to foreign investments. The attracted foreign capital must be involved in the processes of structural reorganization of the economy and acceleration of technical retooling of production. It must aid in the growth of export capacities of the republic and facilitate the entry of Kazakhstan goods onto foreign sales markets. In connection with this, the government shall provide for provision of strict adherence to the procedure for passing expert evaluation and selection of investment projects with the participation of foreign investors; precise regulation of the procedure of formulating government guarantees; issuance of state guarantees only for credits backed by deposit of monetary means or by other property belonging to the final borrower; creation of a real and effective mechanism for providing guarantees to foreign investors and insuring their economic and political risk.

The government intends to support the process of formulating trans-national (inter-state) financial-industrial groups, joint enterprises, networks of finance-credit and commercial organizations, and to facilitate the development of cooperation in the investment sphere. The course toward development of a unified strategy by the CIS countries in relation to third countries will be continued.

The government will take measures to strengthen the payments balance. The trade balance deficit will be reduced, primarily through further liberalization of foreign trade, creation of a system of stimulating export of domestic products and achieving a rational structure of export and import.

10.2. Government actions. For purposes of regulating the attraction and utilization of foreign loans, in July of 1994 the government will submit to the Supreme Council of the Republic of Kazakhstan the draft law, "On Foreign Investments in the Republic of Kazakhstan."

In July of 1994 the government will prepare the draft law, "On Principles of Foreign Economic Activity," regulating the mutual relations with countries of the near and far abroad.

The government, as before, will implement a policy of integration and strengthening of economic ties with the CIS countries, and primarily with Russia and the countries of Central Asia. Measures will be taken for continued realization of concluded agreements on the creation of a unified economic space with Uzbekistan and Kyrgyzstan, and on continued intensification of economic cooperation and integration of the Russian Federation and the Republic of Kazakhstan, etc. Also, efforts will be made to come to agreement on the creation of an international economic committee of CIS states within the framework of realization of the Treaty on the Economic Union.

The government intends to concentrate its efforts on creating the necessary legal, economic and organizational conditions for effective trade-economic cooperation with these countries on principles of competitiveness and on the basis of free contractual prices on products.

XI. Regional policy.

11.1. Intent. Regional policy of the state will be built on a prudent combination of various approaches to various types of regions for purposes of a more complete disclosure of their potential.

In regions of a primary industrial direction (Karaganda, Pavlodar, East Kazakhstan Oblasts, the city of Almaty), which have significant scientific-technical potential, the main emphasis must be placed on rapid privatization, accelerated creation of market structures, joint enterprises, conditions for foreign investments and development of innovative activity.

The raw material regions with high export potential (Atyraus, Mangistau, West Kazakhstan, Aktyubinsk, Zhezkazgansk, Zhambylsk, Kustanay Oblasts) must place their main stake on attracting foreign capital and technologies for purposes of effective and comprehensive assimilation of the raw material resources and emergence onto the world market. The funds from the activity of the raw material sectors will be used for purposes of structural reorganization of production in the region and development of the infrastructure and the social complex.

For the labor-excessive regions of South Kazakhstan, it is recommended that the development of small-scale commodity production be encouraged in urban as well as in rural areas, which will make it possible to ease the problems of employment. Certain benefits must be provided for the enterprises realizing projects associated with the development of labor-intensive types of production and creation of new jobs.

For regions with a high relative share of defense productions subject to conversion (North Kazakhstan, Mangistau, Almaty Oblasts), the key task is accelerated structural reorganization, and re-tooling to accommodate civilian needs with the support of the state.

The realization of regional policy will be provided through regional indicative plans which reflect the priorities of

territorial development and the solution of their socio-economic problems, as well as the optimal combination of measures of state regulation of the economy with the economic initiative of local agencies.

11.2. Government actions. Before the end of 1994, the government will develop an integral program for development of the regions.

XII. Social policy.

12.1. Intent. The principle goal of social policy of the government at the present time is not to allow a decline in the living standard of the population below the subsistence minimum.

The state social policy is formulated from the system of social protection and the system of social assistance. The state, possessing all fullness of legislative and executive power, financial rights and capacities, must guarantee the creation of all conditions for citizens to receive income no less than the subsistence minimum, and must give support to the most vulnerable strata of the population.

The existing principle of establishing a minimum wage and minimum pension on the basis of budget capacities does not correspond to the physiological standards. In this connection, in the future it has been proposed to develop and ratify a minimal consumption budget, based on scientifically substantiated socio-economic norms and standards.

The minimal consumption budget obtained in this way must serve as the basis for establishing the minimum wage, the minimum pension, the amounts of stipends, subsidies and other social payments. At the same time, it will also serve as the criterion for giving social support to the population on the part of the state. This principle must become pivotal in the social policy implemented by the government, beginning with the third stage.

For purposes of preventing delays in payment of pensions and ensuring the stable financial status of the pension fund as a basis in the realization of the three-tiered system of pension provision and increased responsibility of its management, measures will be taken for restoring its extra-budgetary status. State support of invalids and their public associations and enterprises will be increased, and conditions will be created for giving invalids access to the existing infrastructure.

Primary attention of the state in the sphere of social policy must be directed at socially unprotected strata of the population, at the non-able bodied portion of the citizens.

In questions of social support of the population, there will be a changeover to measures of social protection with a high degree of focus, and personification of social benefits. Basic social assistance must be guaranteed only for those who for objective reasons cannot provide the appropriate subsistence minimum for themselves or their families.

The right to receive social assistance will be granted to needy citizens (a family as a whole or each non able-bodied member of the family individually) after preliminary verification of the income and material-domestic living conditions, if their socio-economic position corresponds to the

basic criterion for classifying the citizens in the category of those needing social assistance.

Social assistance will be provided on the basis of computing the average per capita total income of the family for the purpose of bringing it up to the subsistence minimum.

As the state finances are strengthened, social assistance to the population may be expressed as:

Monetary aid to families with income below the established minimal level;

Special purpose subsidies going for specific needs of the family (acquisition of clothing, household goods, fuel, medication, prosthesis-orthopedic devices, etc.);

Subsidies for maintenance of housing, including payment for municipal services;

Subsidies for payment of transport (for travel on public transport, for gasoline, for travel for medical treatments, etc.) and ritual services;

Introduction and payment of the indicated types of social assistance must be transferred to the regional level, which is associated, on one hand, with the capacities of the republic budget and, on the other, with the expediency of computing the minimal level of income based on local conditions.

The social policy for the able-bodied portion of the population will be aimed at creating a system of support of income by means of reforming the labor wage system, the conditions for receiving higher wages due to personal labor input, the economic enterprise and initiative regardless of the forms of ownership, the provision of maximal employment of the population, the expanded use of public works in regions with a high level of unemployment, etc.

The main task in the sphere of wages is the completion of reformation of this system, which must ensure:

State guarantee of the minimal level of the labor wage;

Removal of limitations on the upper limit of the labor wage;

Contractual principle of regulating the level of the labor wage between workers and employees, employers and trade unions by means of collective agreements and rate agreements.

Moreover, the following must be taken as the basis for reform of the labor wage system:

The conception of the labor wage of state employees;

Intensification of the role and application of anti-monopoly legislation in terms of suppressing the receipt of super-profits due to the monopoly position of a producer on the goods market.

The social policy of the government in regard to the unemployed population will be directed at creating and developing legal and economic conditions for involving the able-bodied strata of the population in economic activity. There are plans to take under special control the processes of mass layoffs of cadres primarily as a result of liquidation and bankruptcy of unprofitable enterprises and

industries, and questions of their employment, and to bring the system of professional training of the youth into correspondence with the needs of the national economy.

Work will be performed on improving the existing system of social insurance and introducing mandatory and voluntary pension insurance.

The basic principles of the system of social insurance consist of providing every member of society with economic protection in case of illness, need for provision of medical aid, accident, unemployment, etc. Development of the system of social insurance presupposes individualized insurance.

A course will be adopted toward creation of a three-tiered system of pension provision. On the first tier are guaranteed state minimum pensions; on the second—pensions granted under mandatory pension insurance, and on the third—pensions granted at the expense of voluntary pension funds.

Immediate measures will be adopted in the social sphere for support and preservation of the formulated system of institutions of social-cultural and domestic function. First of all, aid will be given to medicine, its priority spheres such as protection of mothers and children, the fight against tuberculosis, financing and reform of the public health system, basic education and cultural facilities, specifically in resolving questions of the social status of medical and pedagogical cadres and the level of their wages. The time has come to introduce insurance medicine, for which the creation of the appropriate standard base and the development of a state program for its formulation and development are required.

Public health reform provides, on one hand, for the preservation of guaranteed provision of free medical aid at state institutions, and on the other—the reorganization of the existing hospital network, reform of medical education, social protection of public health workers, introduction of insurance and paid medicine and state support of the medical student body.

12.1. Government actions. In December of 1994, the government will embark upon the development and ratification of a new minimal consumption budget. This work will be completed in the form of a new edition of the law on the minimal consumption budget or by means of introducing changes and amendments into the old law, whose effect at the present time has been terminated until 1 April 1997.

With the adoption of a new law on the minimal consumption budget, the preparation and ratification of changes and amendments by the Supreme Council to the corresponding laws on the minimum wage, on pension provision of citizens and on employment of the population will be required.

Utilizing the minimal consumption budget as the criterion for determining persons who are in need of state social support, the government will develop in 1996 a mechanism for providing social assistance which will define the agencies responsible for accepting and reviewing applications of citizens on social assistance, the methodology of computing the average per capita income and determining the amount of social assistance, and other aspects. The

given mechanism must be presented in the form of a statute on social support of low-income strata of the population, ratified by decree of the Cabinet of Ministers.

In reforming the labor wage system, the government, guaranteeing a minimal level of the labor wage, removal of any limitations on wages except for tax limitations and the contractual principle of wages between the employer and the worker, will develop in 1995 a new draft law on the minimum wage, keeping in mind the lack of correspondence of the previously adopted one to the demands of the times. Moreover, in 1994 the law on collective agreements is to be reviewed in terms of its being supplemented with statutes on sectorial rate agreements.

Administration of employment on a state scale will be implemented on the basis of a state national program, whose basic content consists of developing a policy of employment, principles and approaches for its realization, and active participation of the state in developing a sufficient number of jobs to ensure the support of employment of the population at the level of economic expediency. In 1994, the government plans to introduce certain changes into the law on employment, strengthening the system of social support of unemployed persons.

For introduction of the proposed system of pension provision, in 1995 the government will introduce a law on mandatory and voluntary pension insurance. In regard to administration of questions of social insurance, in August of 1994 the law on social insurance, adopted in its first reading by the Supreme Council of the last convocation, will be re-worked and submitted to parliament.

The development and creation of an appropriate legislative base is planned for introduction of a system of medical insurance, as well as preparation of a state program for its formulation and development.

Measures will be taken to strengthen unified state sanitary supervision in the country.

XIII. Ecology policy.

13.1. Intent. The government, in developing and implementing its ecological policy under conditions of the transitional period, proceeds from the fact that the goal of such a policy is to achieve and maintain a habitat favorable to man on the basis of a combination of ecological and economic interests of society, with the mandatory condition of preservation of biological variation.

In order to achieve these goals, the government intends to solve the following problems:

To create a system of environmental protection legislation, regulating questions of environmental protection and administration of natural resource utilization;

To develop and introduce a system of managing natural resource application based on the principles of territorial standardization;

To introduce a unified system of ecological control, implementing appropriate changes in the structure of the controlling agencies.

13.2. Government actions. For purposes of fulfilling the tasks of the state ecology policy, the government intends:

To introduce for review by the Supreme Council of the Republic of Kazakhstan in 1994 the draft laws, "On Ecological Expert Evaluation in the Republic of Kazakhstan," "On Ecological Control in the Republic of Kazakhstan," "On Payments for Special Natural Resource Application," "On Protected Territories and Facilities of the State Natural-Preserve Fund of the Republic of Kazakhstan," "On Introducing Changes and Amendments to the Kazakh SSR Code On Administrative Legal Violations," and a new edition of the law, "On Environmental Protection in the Republic of Kazakhstan";

To introduce in 1995 for review by the Supreme Council the draft laws, "On Clean Air in the Republic of Kazakhstan," "On Protection of Sources of Drinking Water Supply," and "On Private Forest Management";

In the course of 1994-1995, to develop a packet of standard-legal documents in substantiation of the system of natural resource application, based on the principles of territorial ecological standardization.

In 1995, to begin implementation of ecological regionalization of the territory of the Republic of Kazakhstan; To conduct an analysis of the actual ecological state of the regions of the republic and to perform an evaluation of this analysis.

In 1994, to ratify and organize the beginning of implementation of the national program for rational natural resource application to the year 2010, the national program, "Forests of Kazakhstan" for the period of 1994-2010, and the republic target scientific-technical program for creating a system of global ecological and natural-resource monitoring of Kazakhstan;

To create in 1994 a unified service for state administration and ecological control through transferring to Minekobiuresorsov [Ministry of Ecology and Biological Resources] of the functions of state administration and ecological control over the atmospheric air, the land and water resources.

XIV. Formulation and development of the housing market.

14.1. Intent. The adopted new housing policy is based on a transition to the practice of earning housing by most of the population, and the consistent transfer of housing-municipal management to the regimen of non-subsidized functioning, as well as the modernization of the existing construction base, which will ensure necessary increase in the volumes of housing construction and effectiveness in building and utilizing housing.

This will make it possible to liberalize the labor market, to give an additional impetus to the building complex, to place into operation a commodity which is strategic to the population—housing, thereby committing the money of the population and strengthening the exchange rate of the tenge.

The housing market may be formulated under the condition of creating a market in capital for financing new housing construction, formulating a competitive market in

subcontracting work and effective state regulation of all aspects of the housing sphere.

The basic role in formulating the market in capital is placed upon the newly created Specialized Bank for Housing Construction (Zhilstroybank). At the first stage, this bank performs the functions of three financial institutions: A construction bank, a mortgage bank, and a savings and loan bank.

The first two primary functions of Zhilstroybank are based on receipt of financing from centralized and other sources, and the development of the securities market and a secondary market in mortgages.

The savings and loan system is based on the achievement of trust from individuals and legal persons by means of state guarantee, support and stimulation of accumulation of capital for housing measures.

The formulation of the market in subcontracting work on the basis of competition will facilitate a decline in the cost of housing construction and an increase in consumer product quality. The newly created institution of commercial builders is the basic instrument in formulating the market in subcontracting work by means of organizing trading sessions in housing design and construction.

The changeover of the sphere of operation and maintenance of the housing fund to a non-deficit regimen also requires the creation of a competitive environment.

The adoption of decisions on selling stock in housing-operational services and the step-by-step increase in the level of housing payments and payments for municipal services, with the simultaneous introduction of a system of target housing subsidies, is one of the ways of formulating the housing market.

14.2. Government actions. During 1994-1995, proposals will be submitted to the Supreme Council for changing and amending the effective laws in regard to developing the tax system for the purpose of stimulating the activity and expanding the circle of participants in the process of housing construction.

In September of 1994, proposals will be submitted for ratification to the Supreme Council on changing and amending the Land Code and other effective laws on land in regard to developing land relations for the purpose of creating favorable conditions for attracting large investments.

For the purpose of realizing the housing policy and ensuring new approaches to development of territories of the Republic of Kazakhstan, during 1994-1995 new laws will be prepared and introduced for ratification by parliament, as well as changes and amendments to existing legislative statutes. On the basis of the new laws, new standards of urban development and housing-civil construction will be developed during 1994-1995.

Prior to the end of 1995, a system of registration of the rights to land and other real property in population centers (urban development cadaster) will be developed.

Prior to March of 1995, a state program for creation of a tax cadaster will be developed, which is necessary for

introduction of the system of cost accounting for real property for the purpose of objective taxation of the property of individuals and legal persons.

Within this same time period, a legal base for mandatory appraisal of land and other real property will be created for the purpose of conducting, prior to 1997, a comprehensive appraisal and introduction of a system of registration during transfer of legal rights or conclusion of other deals.

Prior to the end of 1994, a system of housing subsidies will be developed, with simultaneous increase in the level of housing payments and payments for municipal services.

At the beginning of 1995, experiments will begin on building condominiums for the purpose of ensuring reliable maintenance of the housing fund.

All self-recoverable projects on modernization of existing and acquisition of new technological lines for the production of building materials and elements of residential houses will, if possible, be included in 1994-1995 in the currency credit lines or provided with financing through other means.

XV. Strengthening law and order.

15.1. Intent. The basic directions in the activity of the government on strengthening law and order consist of preventing legal violations, primarily the elimination or neutralization of reasons and conditions facilitating the commission of crimes, as well as continued intensification in the struggle against organized crime and corruption.

The process of struggle for stabilization of the criminal situation on the territory of the republic will be accompanied by the development of draft laws which provide for bringing standards of civil, administrative, criminal, and criminal-procedural legislation, judicial proceedings and judicial arrangement into correspondence with the new social, ecological and economic conditions. Continued reform is envisioned for the agencies of justice, internal affairs, state financial control, and the customs and tax services, along with their increased interaction with the judicial system, the agencies of the prosecutor's office and national security.

The government intends to strictly control the course of fulfillment by all ministries, state committees and departments of the measures specified by the state program of first priority measures for combating crime and strengthening law and order in the Republic of Kazakhstan for 1993-1995, and to take measures for stepping up the work that is being conducted.

The main reasons facilitating the commission of crimes are drunkenness and alcoholism, drug addiction, legal nihilism and moral decay, especially among the youth, as well as poor technical reinforcement of facilities for storage of goods and material valuables and monetary means. Therefore, goal-oriented and comprehensive work will be organized in these directions, aimed toward preventing legal violations.

The pivotal point in the struggle against organized crime and corruption must be the work on increasing the responsibility of state employees for fulfillment of their duties, and increased discipline.

The investigative-search and general supervisory activity of the law enforcement and control agencies within the credit-finance system and banking structures will be expanded. It is necessary also to intensify the struggle against crime in the sphere of economics, which will undermine the roots of corruption.

15.2. Government actions. The government will place coordination of all draft law work on the Ministry of Justice. Work on completing and revising the drafts of the Criminal Code, the Criminal-Procedural Code, and the Code on Administrative Legal Violations will be performed in priority order.

Before the end of 1994, draft laws will be prepared on the struggle against organized crime and corruption, on private detective and guard activity, on the tax militia, and on introducing changes and amendments into the effective legislation for the purpose of strengthening state financial control.

The struggle against drunkenness and alcoholism, drug addiction and substance abuse will be based on special government programs, whose development and ratification are planned in the current year. In the future, a network of treatment-preventative institutions will be created for persons suffering from alcoholism and drug addiction. Within the framework of international programs for the struggle against the unlawful trade in narcotics, as of 1995 the status of a regulated territory will be established for places where wild-growing narcotic-containing plants are cultivated.

Considering the significant relative share of crime among minors, the law enforcement organs, in conjunction with the Ministry of Education and the Ministry on Affairs of Youth, Tourism and Sports have undertaken the development of a program of government action on prevention of legal violations among juveniles and minors.

To ensure personal and property safety of citizens on the streets and in public places, the number of foot-patrol and mounted detachments of militia of the internal affairs agencies and internal troops will be gradually increased, over a period of 1-2 years, at the expense of cutting back the administrative structures.

In 1995, work will be fully completed on creation of a tax militia, whose practical activity will begin from the second half of the current year.

Capacities will be found for creating special militia subdivisions for ensuring the safety of passengers and cargo on railroad and air transport.

XVI. Training of cadres.

16.1. Intent. It is becoming ever more obvious that among the number of main factors hindering reform is the absence of adequate knowledge and of cadres capable of solving the problems which arise. This problem has affected the state agencies, as well as business, and also the system of education itself.

Therefore, the government has defined one of the main directions in cadre training in the republic to be the post-VUZ [post-graduate] training of students in the leading foreign centers, along with re-training of managers

of enterprises, firms and companies, as well as entrepreneurs in the sphere of small- and medium-scale business.

Particular emphasis will be placed on the mechanism of selecting students, entrepreneurs and managers of enterprises, as well as the conclusion of contract-obligations with the students.

These mechanisms must create the basis for formulating the elements of a technological line for selection, training and advancement of talented young people in the professional segment of the system of cadre training and education.

Another important element in formulating the technological line of training talented young people must be the training and selection of talented children, beginning from pre-school age. Therefore, provisions are being made for undertaking the development of an integral system of training and selection of talented children, which must include scientific development of the most current teaching methodologies, their experimental testing and introduction into the system of state education.

16.2. Government actions. In accordance with the selected directions of training cadres, the government will take the following actions. In October of 1994, the Cabinet of Ministers decree, "On Sending Students and Graduate Students for Instruction to Educational Centers Abroad," will be adopted. It will define the financial resources and appropriate mechanisms for organization of training of students abroad, and present a statute on selection and responsibilities of the student to the state after completion of the entire course of instruction.

In September of 1994, the Cabinet of Ministers will adopt the decree, "On Creating an Inter-Departmental Commission on Organization of Educational Tours."

By the end of 1994, a state program for training talented cadres ("Daryn" program) will be adopted.

In March of 1995, the government will develop and ratify the decree, "On Creating a Test Scientific-Research Experimental Center for Selection and Training of Talented Cadres," which proposes to organize the corresponding scientific-research base with inclusion of an experimental zone consisting of the appropriate state and non-state educational institutions.

In April of 1995, a standard statute regulating the goals, tasks, function, structure and financial resources necessary for its creation will be developed.

In August of 1994, the Cabinet of Ministers will develop a statute on creating an inter-departmental commission for coordinating methodological activity of state departmental institutes and faculties for advanced training.

XVII. Informational provision.

17.1. Intent. The government realizes the necessity of broad informational provision to the public in the course of fulfilling the program, as well as of constant dialogue with the people and introduction of effective corrections into its plan of actions. In this connection, the government, ministries, departments and heads of local administration, on the basis of the existing law on the press, will provide

the mass media with regular and timely information on the content of the implemented economic policy, utilizing press conferences, briefings, announcements in the press, on television and radio, etc. In turn, the government expects from the mass media, regardless of its orientation, maximal objectivity in illuminating the course of the reforms.

17.2. Government actions. The mass media—the newspapers KAZAKHSTANSKAYA PRAVDA, YEGEMEN KAZAKHSTAN, KazTAGu, the republic corporation "Television and Radio Kazakhstan," and the Mininform-pechati [Ministry of the Press]—must regularly illuminate the course of implementation of the program. Within the limits of the existing staff schedule, the editorial offices will create operative sections for the more in-depth illumination of government actions. All members of the government, administrators of ministries and departments, and heads of local administration will present monthly reports in the mass media.

For purposes of formulating a unified informational space of Kazakhstan and stepping up entry into the world informational processes and development of the structure of management by the country's newspapers and journals founded by the state organs of administration, reform will be continued within the system of the mass media. The government will take measures for strengthening the material-technical base of the state mass media, and will create more favorable conditions for investment in newspapers, journals, television and radio broadcasting. State property of enterprises and organizations necessary for the output of printed, televised and radio production is not subject to privatization.

Decree on Program's Enactment

944K2109B Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 29 Jul 94 p 1

[Decree by the President of the Republic of Kazakhstan: "On the Program of Government Action on Intensifying Reform and Emerging From the Economic Crisis," signed by President of the Republic of Kazakhstan N. Nazarbayev on 15 July 1994 in Almaty]

[Text] I hereby decree:

1. To ratify the program for government action on intensifying reform and emerging from the economic crisis (appended) submitted by the Republic of Kazakhstan Cabinet of Ministers.

Be it known that the program is supported and adopted as a guideline for action by members of our Republic of Kazakhstan Cabinet of Ministers and by heads of the oblast, Almaty and Leninsk city administrations.

2. The Republic of Kazakhstan Cabinet of Ministers shall: Develop and ratify a plan of specific measures for realization of the program;

Periodically, no less than once per quarter, report to the President of the Republic of Kazakhstan on the course of realization of the program.

3. The Cabinet of Ministers of the Republic of Kazakhstan, in cooperation with the President of the Republic of Kazakhstan, shall be granted the right to introduce changes and amendments to the sections and statutes of the program, depending on the course of its realization, achieved results, and developing situation in the economy.

4. The heads of oblast, Almaty and Leninsk city administrations shall provide systematic control over the course of fulfillment of the program.

5. The National Bank of the Republic of Kazakhstan, within a month's time, shall complete development and submit for review to the President of the Republic of Kazakhstan a program of bank reform coordinated with the Cabinet of Ministers of the Republic of Kazakhstan, with inclusion in it of measures and mechanisms for realization of the basic principles of the president's message to the Supreme Council of the Republic of Kazakhstan.

6. The organizational structure of the President of the Republic of Kazakhstan shall implement permanent control over fulfillment of the program, as well as implementation in the course of its realization of the requirements and principles of the president's message to the Supreme Council of the Republic of Kazakhstan, and shall submit proposals on developing the current policy in individual spheres of economic and social life.

[Signed] President of the Republic of Kazakhstan
N. NAZARBAYEV
Almaty, 15 July 1994

ARMENIA

Premier Reports on Six Month Industrial Performance*944F1220A Moscow SEGODNYA in Russian 5 Aug 94 p 4*

[Article by Gamlet Matevosyan (Yerevan): "Prime Minister Expresses Cautious Optimism: The Situation in the Republic Is Gradually Stabilizing"]

[Text] The performance of Armenian industry in the first six months of 1994 was the topic of Prime Minister Hrant Bagratian's latest press conference.

The premier was optimistic about the recorded changes in the republic economy. The main economic indicators for January-June 1994 were positive in accordance with the figures for the same period last year, but there is a new problem: the need to find sales markets for goods—no more than 50 percent can be sold at this time.

In the opinion of Mr. Bagratian, the functional reorganization of the economy is essentially complete in Armenia, the tax and customs systems are in place, and foreign economic mechanisms corresponding to the new conditions have been set in motion. Furthermore—and this is particularly important—most of the economic entities are independent of the state.

Nevertheless, the prime minister expressed dissatisfaction with the slow development of the banking and financial infrastructure and with the continued existence of state property in the republic. The privatization process is already under way, however, and now the main objective is to conduct privatization in such a way as to avoid a recession.

The structural reorganization of the economy is scheduled to begin no later than the middle of 1995. This will allow the country to occupy a definite place in the world economic system. Mr. Bagratian feels that Armenia has a good chance of becoming an international financial center, something like a Switzerland on the border between the East and the West.

The premier said that one of the main reasons for the stabilization of the economy is the stabilization of the dram—the result of purposeful action by the Government and the Central Bank of the Republic of Armenia. Hrant Bagratian said that safeguards had been instituted in the republic against abrupt surges of inflation.

There was dramatic growth in the volume of foreign trade: Exports in the first five months of this year amounted to 46 million dollars, which is 67 percent higher than the figure for the same period last year, and imports totaled 92 million dollars (34 percent higher). This, however, was accompanied by the reduction of the output of electrical power, commodity turnover, freight shipped by public carriers, and the volume of paid services for the population. Private income rose dramatically—by 27.3 times—but the rise in the prices of goods was even more dramatic—200 times. In view of the fact that the introduction of the national currency caused the public standard of living to fall to one-twelfth of the earlier level in November-December 1993, the situation does not look that

promising. There are 111,100 unemployed individuals in the republic today. This is almost 8 percent of the able-bodied population. Mr. Bagratian promised partial compensation for the declining standard of living in the near future and a vigorous fight against unemployment in the coming year.

Those who attended the press conference were particularly pleased with the prime minister's assurances that Armenia will be so well-organized by winter that even the bombings on the pipeline and railroad in Georgia will not create any serious problems. In fact, every effort will be made to maintain energy self-sufficiency throughout the three months of winter. Incidentally, the premier is not excluding the possibility that the Armenian nuclear power plant will begin operating this winter.

Mr. Bagratian also addressed some political topics, refuting the opposition's frequent references to an "internal blockade." He views the recent exacerbation of the political struggle as a natural development: "As we approach economic stability, more and more individuals will enter the race for power," the prime minister declared.

Prime Minister Details Republic's Economic Progress*944K2110A Moscow DELOVOY MIR in Russian No 156, 1-7 Aug 94 p 19*

[Interview with Armenian Republic Prime Minister Grant Bagratyan by correspondent Murad Sarkisyan: "Results of the Reform Encouraging"]

[Text]

[Sarkisyan] How would you characterize the present state of the economy of Armenia, and what in your opinion might explain the discernible growth in production?

[Bagratyan] I would divide the transition to a market economy into three phases. The first—the phase of institutional transformations, institutional reforms. The second—the phase of investments or changes in production entities. The third—entry into the world market.

It stands to reason that they are all typical of the present economy to one degree or another. The question is which phase is dominant or most problematic in a given period of time. From my point of view, we are at the end of the first phase, which may be divided in turn into a number of subphases: freeing prices; privatization; introduction of national currency; establishment of systems; financial stabilization and the budget; balancing the export-import balance; freeing the rate of exchange of national currency and bank interest policy; creation of the legal base of economic cooperation with other states; restoration of the economic ties that existed in the former USSR on an equal basis; the foreign trade system, and diversification of the national economy into a world economy.

Of the nine subphases I mentioned, we have gone through 75-80 percent. Privatization of large enterprises is next. Privatization of the land, and minor or "small" privatization, has been fully or partially carried out.

What is the explanation for the discernible growth in production in Armenia? Several factors are operating here. The first and most important is that the basic problems of the first phase of transition to a market economy of an independent state are already behind us. Recall also the freeing up of prices, financial stabilization, establishment of the tax system and creation of the corresponding entities, and social reforms. That is, the economic entities and state institutions, most of which had to be established anew—for example the tax system, customs, etc.—were all basically operating by as early as the beginning of 1994. The years 1991-1993 were devoted to their creation and development.

Second. As reforms proceeded in the economy, and as bureaucratic interference in economic decisions and bureaucratic influence upon the functions of the government itself decreased, with regard for the unique conditions of Armenia (blockade, energy crisis, restlessness on the borders) we have been able to centralize management of resources in the most important areas. This pertains in particular to electric power. For example we had to separate the electric power network supplying the population from the "industrial" network—that is, we had to reestablish the network so that the electric energy necessary for production could be allocated whatever the situation and whatever the limits. The government had to take the key spheres of the economy under its protection—particularly the work of transportation arteries and lines of communication. And to solve the problems of freight transport for both state and private enterprises. All of this made it possible to raise production both in 1993 and in 1994, despite the continuing decrease in resources. It should also be noted that in 1993 we were at 95 percent of the 1992 level in relation to the main indicators. But the quantity of resources we were receiving was three times lower than in the preceding year. In the first half of 1994, during which resources entering the country continued to decline (by 10 percent), we enjoyed a distinct 102.7 percent increase in national income in comparison with the same half of 1993; use of national income increased by 112.4 percent, industrial production increased by 104.7 percent, and agricultural production grew by 107 percent.

Third. By this time the enterprises had adapted to the new conditions, and some technological restructuring of the economy was made possible. Despite the hopeless situation in which they found themselves, the enterprises managed to restructure production and change their production profile without any significant assistance from the government (except in credit policy). They did this because it became obvious that under the conditions of an independent state, manufacture of the old products didn't make any sense because of the absence of a market.

Fourth. From our point of view, despite the colossal difficulties of introducing national currency in November-December 1993, we were able to basically establish zero duties on exported and imported goods and services owing to a tight budget financing policy, a "floating" exchange rate and export-import transactions. Exports noticeably grew as a result.

And finally, a tight interest rate policy helped us to bridle the steady decline in the exchange rate of national currency

in the beginning of May, and reduce inflation by several orders of magnitude, down to 9 percent in June for consumer goods. For comparison, in January inflation was 82 percent. Our hope is that it will decrease even more in July, and the situation in production will stabilize.

Today the most acute problem is that of selling products.

Further economic growth is possible in Armenia. But for the moment it is being objectively restrained within certain limits. While a year ago our task was to produce, now the approach is a little different—produce and sell.

[Sarkisyan] The rate of exchange of the dram has stabilized since mid-May. Moreover its slow but steady increase in relation to the ruble and the U.S. dollar is observed. What is this, an accident or a natural phenomenon?

[Bagratyan] More likely a natural phenomenon. It is explained by the following circumstances: First, as analysis of the economy in the first 5 months showed, the unfortunate decline in the dram's exchange rate was caused not only by the state budget deficit but also by an independent factor: Even though a certain amount of hard currency was made available by exports, commercial banks did not provide for turnover of the dram and hard currency (their mutual conversion) in order to balance one against the other. I am referring here to the technique itself—the "floating" exchange rate. The exchange rate of the dram in relation to the U.S. dollar or Russian ruble was artificially elevated by the end of April.

Second. It should be kept in mind that particularly in relation to Russia, Armenia was left with a deeply negative balance in 1993, and so we had to make advance deliveries of products to Russia in the 5 months of this year in order to reduce the trade balance, and thus obtain the necessary clearing products, especially in relation to fuel resources. Beginning in late June these resources began to enter Armenia, which reinforced the purchasing power of the dram and simultaneously made it possible to increase deliveries of goods to Russia even more.

And most importantly: While growth of national income in our economy in the half-year as a whole was 2.5 percent, exports expressed in hard currency grew by 66.6 percent. The increase in exports, which was a consequence of the work of industry, of production, resulted in an inflow of hard currency into the banks. Hence the possibility for satisfying the need for hard currency through the currency markets.

Finally, the Central Bank raised the refinancing norm as of the beginning of the year. In the first 5 months this policy made it possible to avoid pumping artificial resources into the economy through commercial banks.

The exchange rate of the dram stabilized as a result of all of this. Our hope is that in the future, any fluctuations of the exchange rate up or down will not be as abrupt as they were after introduction of national currency or, for example, during the first quarter of 1994.

[Sarkisyan] A process of disintegration persists in all of post-Soviet territory for various, often objective reasons, which is having a negative effect on development of CIS countries. What steps is Armenia taking to strengthen

cooperation among them? In particular, what can the universal means of payment proposed by you provide?

[Bagratyan] Let me restate the question in somewhat more specific terms. We need to distinguish between the process of disintegration and the objective need for ridding ourselves of the formerly existing uneconomical and ineffective business ties, which surfaced because of liberalization of prices in most CIS countries, because of the fact that trade between them—both state and private—proceeded on the basis of a mutual desire for equality, and because the criteria for the effectiveness of business ties are changing significantly.

On the whole, especially in 1991-1992, as well as in 1993, we knew that some economic ties would unavoidably break. We had to determine what needed to be preserved, and what was beyond hope. But how are you going to assess the effectiveness of particular ties under the conditions of a marketplace? Business practice should itself suggest the answer, and provide an assessment of the strength of existing economic ties. The task of the governments of CIS countries was to keep effective economic interrelationships intact.

In this context, besides the need for clearing agreements, especially after introduction of national currency, the need for creating a settlement mechanism to be used among CIS countries became obvious. With this purpose we suggested the idea of a universal means of payment. What is this? Let's assume for example that in 1993 Armenia had a negative trade balance with Russia. At the same time it had a positive trade balance with Moldova. In turn, Moldova had a positive trade balance with Russia and a negative one with Armenia. Let's assume that the sum of the positive and negative values is zero. This means that given the presence of the appropriate settlement mechanisms, Armenia shouldn't have experienced any special difficulties because of a negative trade balance with Russia, inasmuch as it had a positive balance with Moldova, which in turn had a negative balance with Russia. In the absence of a particular mechanism, all three sides would have to reduce interstate trade by the absolute amounts of the positive and negative differences, which produces a certain negative cumulative impact. Where does the problem lie? In the absence of a unit of settlement that would make it possible for us to trade among each other. Were we to adopt the Russian ruble as the unit of settlement, the problem wouldn't be solved, because Russia is itself a subject of trade relations within the CIS framework. After all, the debts of other countries to Russia cannot be covered by the debts of Russia itself. A foreign currency—the dollar for example—would aggravate the problem rather than solving it. In order to acquire this acceptable currency (the dollar in this case), we would have to trade with "foreign" states, and moreover we would have to do so at a scale which would also support "internal" trade.

The idea of a universal means of settlement is based on the principle of mutual convertibility of currencies; it isn't all that unique. There are examples of this in the Western European ECU [European Currency Unit] and SDR [Special Drawing Rights].

What makes our URS [universal means of settlement] different from the ECU or other currencies is this. We are

presently basing our actions on the notion that our countries are forced to reduce mutual commodity turnover due to a shortage of Russian rubles or dollars. In reality, however, the problem lies in the absence not of Russian rubles but of national currency in mutual trade, if of course the latter is functioning in organized fashion. In this case it is unimportant whether the exchange rate of the given country's currency is "floating" or fixed. That is, mutual settlements may be made through the URS with one's own currency and with any partner. Armenia can pay Russia in drams, and so on. As a result of this, the exchange rate of the dram in relation to the Russian ruble will begin to fall. Acquiring drams in the form of universal means of settlement, Russia obtains a possibility for compensating for its trade balance deficit with Armenia by other possible economic means.

We named this cashless form of money a universal means of settlement. The result is this. First, despite the trade imbalance, we can continue our trading operations. Second, trade based on URS results in stronger economic relations between the states. I am more than convinced that the URS mechanism is practically possible. After we study its various modifications, sooner or later it will come into use in the Commonwealth of Independent States.

[Sarkisyan] Armenia began reforming its economy sooner than the others, but after privatization of the land in spring 1991, the progress of efforts in this direction decreased severely. What is the explanation for this, and does our path of reforming the economy differ from that of, let us say, Russia?

[Bagratyan] When in 1991 we were the first to privatize land, an enormously negative reaction occurred in 1992. It seemed to many that agriculture had gone into a decline as a result of the reform.

A wave of dissatisfaction grew among the opposition in parliament. While the socialist-communist opposition didn't have the strength to kill the reforms, it was able to slow them down. It took us 2 years to create the legal base and persuade the public of the necessity of the reforms. Two years of ideological struggle in order to confirm the new thinking of a market economy. During this time the style of economic management changed only fragmentarily; all were not yet convinced that a return to the old methods would mean chaos, and less social protection for the people, that the various populist slogans and all of the various kinds of handouts would cause even greater stratification of the society. What was most important was that in 1993, when we finished establishing the legal base, all doubts were dispelled, and no one could say any longer that we made a strategic mistake when we sold land to the peasants. Agriculture turned out to be the only sector in which production volume did not decline. That was in relation to farming in general: In 1993 we even observed an increase in the number of farm animals. And it was not until mid-1994 that we initiated large-scale privatization in industry. There were of course the appeals to wait and see how all of this would turn out in Russia. Political vacillations in parliaments and governments of all CIS countries in 1992-1993 led to nothing good: The momentum of the reforms was lost, the transformations

the society required were halted, and everything degenerated into political squabbles. In our country we were able to initiate privatization of industry one way or another. So-called 10 percent partial compensation-free privatization is its principal element; it is based on the principles of capitalization of enterprises—that is, 20 percent of the stocks are transferred compensation-free to the collective, which then itself decides how much to invest from state profits into the enterprise. There is the mandatory condition that only funds spent on expansion of production may enter the collective's account from the state's 80 percent share. It seems to me that this method is more flexible in relation to large enterprises, and it will permit them to undergo privatization—that is, to convert into joint-stock companies—over the course of 4-6 years. As far as small enterprises are concerned, these facilities are sold right away, like they would be at an auction.

[Sarkisyan] Integration into the world economic system would of course be meaningless without radical transformations, particularly in the area of financial, customs and tax policy. What I would like to know is this: Has Armenia enjoyed success in this matter, and how attractive has it become to developed countries and to respected international organizations?

[Bagratyan] I should say that in this aspect, I feel that our work in the government has been very productive over the past year and a half. We enjoyed the greatest success in trade policy, particularly in customs legislation and customs policy. We established zero duty on the export and import of most products—80-90 percent, so that during the time of transition to a market economy there would be no influences upon the price structure, and so that it could adapt to the price structure existing in the world market. In other words we introduced a sufficiently liberal trade regime, regulating only the organizational and administrative issues in order to permit normal accounting of imports and exports and to maximally document trade through the banks. When in discussions with Western financial institutions, states and governments we are told that we must adhere to the principle of an open economy, we reply that our economy is freer from the standpoint of trade than the economies of modern Western states. This was noted recently in particular at talks in Brussels, which we attended as an observer. Having a relatively simple tax system and relatively low rates in particular, we created practically no problems.

As far as finances are concerned, our dream is to have a deficit-free budget, which I believe we will attain as early as in the second half of 1995.

The certain successes we have enjoyed in our economy are explained by the fact that this regime is attractive to commodity producers. In my year and a half of work as prime minister, I have never been reproached for having tax and customs rates that are higher than in any other CIS state. The sole source of displeasure is the bureaucracy, its poor understanding of tax matters, and this is something we need to work on. Still, no matter what the tax or customs policy, there will always be people who wish for a more liberal regime. But how can you get any more liberal! Even the International Monetary Fund, which strives to

make all states liberalize their economy, seemed to me to be more conservative than us in its proposals regarding our tax and customs policy.

When they first began working with us, before the new customs policy was even introduced, representatives of the IMF talked about a 4-5-time decrease in customs duties. And then when we established a zero rate in relation to most articles, they assessed this step as excessively reformist, and proposed establishing at least a 2-3 percent rate. In the meantime the World Bank is insisting on further liberalization of our economy. But on the whole, it appears to me that the image our government enjoys among the well known international organizations is one of reform, a government that is successively implementing the principles of a free economy.

[Sarkisyan] How do you see the economy of Armenia in the foreseeable future?

[Bagratyan] One of the principles we are following is not planning the Armenian economy. This is more a matter for businessmen than for the head of the government. I know you expect me to reply that development will proceed in this particular direction, that the country will be exporting these particular things, and so on and so forth. But I'm not going to say anything of the sort.

One thing I know for sure. Armenia's geographic position is such that even in the absence of a blockade, it is disadvantageous from an economic standpoint to haul fuel oil over the mountains from distant lands, burn it, and obtain electric power. In this region Armenia will try to specialize in something unique—intellectual, scientific, technical, labor-intensive, and not requiring large amounts of energy resources. This makes a particular imprint upon its economy. As far as the specific structure of the economy is concerned, I feel that we can and must diverge from the above-mentioned principle in the most varied ways, and in every given period of time, it will be advantageous and suitable to produce whatever sells and makes a profit.

President's Former Associates Oppose Current Government

944K2081A Moscow NEZAVISIMAYA GAZETA
in Russian 6 Aug 94 p 3

[Article by Armen Khanbalyan: "Old Methods in the Struggle for New Power"]

[Text] The current situation in Armenia is highly reminiscent of circumstances that were formed in the summer of 1992. Those who hold such a view usually assume high activity by the opposition, which successfully organizes many thousands of protest meetings on the Yerevan Teatrnaya Square. The matter is, however, that this probably is the extent of the similarity.

Two years ago the opposition, led into attack by the Dashnaksutyun party, was sufficiently unified, and what is most important, held such a major trump card as defeats in Karabakh. During that period the social aspect of the protest actions was seen indistinctly; in the forefront were the ideas of national unity and "delivery from the traitors

who sold Karabakh." But even then the authorities managed to withstand, due in large measure, possibly, to an opposition lacking clear constructive thoughts regarding the future. Memory about developed socialism was still sufficiently fresh, and it was difficult for Dashnak socialists to explain how they were planning to combine a planned economy with freedom of entrepreneurship and national independence with an open orientation toward not just simple imperial, but strictly antidemocratic, forces of the former mother-country. Finally, the protesting crowds somehow melted away on their own, which was of course promoted to a great degree by the stability of the Karabakh people, who managed not only to halt the enemy on the approaches to Stepanakert, but to mount a counteroffensive as well.

Today the enemies of President Levon Ter-Petrosyan include individuals from his old team, which injects many new nuances in what is taking place. It is not by accident that former Prime Minister Vazgen Manukyan, former chief counselor of the president Ashot Manucharyan, and their associates are attempting to organize another general national movement in Armenia—it was specifically in that manner that at one time they themselves came to power. But at the same time, it is specifically this circumstance that causes open suspicions among the majority of other opposition forces, which not without reason assume that for the most part the talk is about a family dispute between two factions of the former Armenian Pan-National Movement. Their mind cannot be changed by the fact that the "aggrieved" AOD [Armenian Pan-National Movement] long ago created its own party—the National Democratic Union. By the way, the leading speaker at meetings, Ashot Manucharyan, is not an official member of that party, which gives him the opportunity, as a private individual, to tell audiences amazing stories about the personal life of the president and his entourage and to call on the people to "hang the scoundrels," and the leadership of the National Democratic Party to easily distance itself from the more odious utterances of the former counselor.

Despite Manucharyan's declaration that "change of power in the country will occur on 17 September at 1230," the NDS [National Democratic Party] plans and those of its leader Vazgen Manukyan, it seems, are not that simple. The principal hope is pinned to a systematic broadening of the meeting mentality. Today meetings are held twice monthly and gather from 30,000 to 50,000 participants. If the NDS succeeds in increasing their frequency and the number of sympathizers, it will be possible to begin shifting to other actions—demonstrations, strikes, and the like. That path fully justified itself at the dawn of the Karabakh movement and to some of its instigators appears attractive at present as well. At one time the withdrawal of communists from the political arena indicated that with such a method of action, power may waver, and then it would be possible to demand its immediate reform. It is, of course, not necessary to hang anyone in such a case. It is conceivable that an agreement with the former companions in arms could be reached, in which case Manukyan will regain the post of prime minister, but this time with much greater mandates, exceeding those of the president.

This calculation is seen quite clearly, which is hampering the amalgamation of the entire opposition under NDS

banners. The leftists (Dashnaks and communists) are clearly in no mood to bring to power another nationally oriented politician thinking in market economy categories. Even though possibilities for a tactical rapprochement are, it seems, being carefully sought by both sides. Appropriate curtsies are also being made: Recently, one of the far from pro-government centers for the study of public opinion named Karen Demirchyan, former first secretary of the Central Committee of the Communist Party of the republic, as the most popular candidate for a post of national leadership—allegedly based on the results of a poll. That is doubtful, because Demirchyan himself up to now preferred to pointedly distance himself from any intrapolitical clashes, while all of the former polls consistently indicated that his rating, even though high, is somewhat below that of the president. Raffi Ovanesyan, 35, former minister of foreign affairs of Armenia and a citizen of the United States, enjoys real popularity. NDS speakers always promise to ensure his presence "at the very next meeting." Ovanesyan, however, has thus far refrained from visiting Teatralnaya Square or making any public pronouncements.

It is thought that serious destabilization of the present Armenian authorities will become a highly complicated task for the opposition and hardly possible in the near future. It is difficult to imagine the appearance of another truly national movement exclusively under the slogans of war against corruption and abuses within the MVD [Ministry of Internal Affairs] system, which so far is the principal ideological trump card of the NDS. The fact that the situation in Karabakh is not only remaining stable, but that there is now hope for a gradual relaxation of tension, is also important. Under such conditions, any destabilization in Yerevan could play a fatal role in the fate of the Nagorno-Karabakh Republic, and understanding of that circumstance is widespread. In the struggle against the current authority, the opposition does not have to take into account a factor as important as the support of Russia. Relations between Moscow and Yerevan are very good. Kremlin will hardly be seeking something better, since it is clear to everyone that the Government of Armenia will never start conducting an anti-Russian policy, both because of the geopolitical conditions and because of the mentality of the Christian people, who were conditioned by history itself to reason in terms of "eternal friends and eternal enemies."

Thus, there is evidently no reason to expect any major shocks in the immediate future: Contrary to the assertion of Mr. Manucharyan, it is hardly likely that power will change and people will not have to "lie across the landing strip to keep criminals fleeing just punishment from escaping." Something else is the problem. The regular parliamentary elections are scheduled to take place in less than a year. If the new constitution is not adopted, the composition of the Supreme Council promises to be highly oppositional, which will also be promoted by the current activity of the NDS. In that case, contradictions between the branches of power will become the main factor of the intrapolitical life of the country. As long as this has not been observed up until now, it is thus hardly possible to predict the results of a hypothetical opposition.

ARMENIA

Events Leading to Creation of Talysh-Mugan Republic Reviewed

944F1078A Moscow NEZAVISIMAYA GAZETA
in Russian 19 Jul 94 p 3

[Article by Ivan Vasilyev: "The Talysh-Mugan Republic: Beginning and End—One Year Ago an Attempt Was Undertaken To Establish an Autonomous Entity in Southern Azerbaijan"]

[Text] On 21 June 1993 the military opposition led by Colonel Alikram Gummatov proclaimed the formation of the Talysh-Mugan Republic (TMR) in the seven south-eastern rayons of Azerbaijan. On 7 August of the same year the Constituent Assembly of the People's Mejlis of the Talysh-Mugan Autonomous Republic (TMAR) was held. Whereas the formation of the republic on 21 June was proclaimed by a group of military men, on 7 August the TMAR was unanimously proclaimed by deputies of the seven rayon soviets, elected proportionally to the populations of the rayons, with the aksakals [clan chiefs] and leaders of the region's political parties participating as well. At a meeting of the People's Mejlis of the TMAR Alikram Gummatov, chairman of the People's Mejlis and prime minister, was chosen president of the TMAR, a constitutional law was adopted, and the hymn, flag, and other attributes of the republic were instituted. One of the principal demands of the TMAR leaders to the leadership of Azerbaijan was immediate convocation of a session of the Supreme Soviet of Azerbaijan and consideration of the question of the proclamation of the TMAR.

The TMAR was abolished on 24 August 1993 and all its leaders—the president, minister of defense, and more than 20 others—were arrested and are still in isolation cells of the Azerbaijan Ministry of National Security and Ministry of Internal Affairs, where they are awaiting trial. Following a decree of the Mejlis of Azerbaijan (16-17 August 1993) the republic Supreme Soviet suspended and prohibited the political activities of the Party of Equality of Peoples of Azerbaijan (PRNA), which had earlier been called the Talysh People's Party (TNP). It was the leading party in the Talysh region and was led by candidate of physico-mathematical sciences Gilal Mamedov. Under various pretexts almost all the members of the PRNA have been persecuted by the central and local departments of the Azerbaijan Ministry of National Security to the present time.

It remains a mystery to many: What happened in southern Azerbaijan in the summer of 1993? Why was an autonomous entity organized and how was it abolished? Described below are the primary reasons for the formation and collapse of the TMAR, and a short chronology of the events.

In ancient times Kaspiana, which was a part of the once-mighty Midiya, existed in the territory of present-day Talysh and the neighboring part of Iran. In modern times the Talysh Khanate existed as an independent state. In 1919 the Talysh-Mugan Soviet Republic was proclaimed. In the 1920's and 1930's 10 autonomous republics, oblasts,

and okrugs were formed in the USSR, but they forgot about the Talyshes. In 1937-1938 all the leaders of the Talysh people, headed by poet and sociopolitical figure Zulfugar Akhmedzade, who fought for Talysh autonomy were repressed and sent to Siberia. To the present day the Talysh people is not officially included among the repressed peoples of the USSR. But it was in those very years that all the Talysh schools were closed, radio broadcasts and the publication of newspapers, books, and the like in the Talysh language were stopped, and the people officially lost their own name, "Talysh." In their passports and other documents the Talyshes were called Azeris.

The PRNA (formerly the TNP) was founded in the late 1980's under the name of Talysh National Party of Rebirth (TNPV). The chief goal of the TNPV was to defend the national rights of the Talyshes on the state level, and in the future to fight for formation of a Talysh Autonomous Republic within the framework of the Azerbaijan Constitution. The main arguments in the PRNA's political struggle came down to this: The 1 million Talysh people had lost their own name and still had not been rehabilitated. On a purely symbolic level the number of Talyshes in Azerbaijan is given as about 2,000, and the leadership of Azerbaijan considers that "the Talyshes are a part of the population of Azerbaijan, and they do not consider themselves a nationality at all" (see, for example, NASHE DELO No 4, 1990). The Azeris already have their own autonomous entity, the Nakhichevan Autonomous Republic, and somehow the Talysh region, which has twice as many people as well as specific state, political, economic, territorial, and national prerequisites for the formation of an autonomous entity, does not have the right of self-determination or the right to any form of political or economic status. The PRNA Charter, which was registered by the Azerbaijan Ministry of Justice on 12 March 1993, states that the party structures its activities on the basis of international legal precepts and the principles of self-determination of peoples.

Gummatov and Ali Nasir, prominent Talysh poet, included the idea of proclaiming an autonomous republic in the program of the Lenkoran division of the People's Front of Azerbaijan [NFA] as far back as 1989. At that time Gummatov was one of the leaders of the NFA, but after Abulfaz Elchibey's team came into the leadership of the NFA and began following their policy of pan-Turkism, he left the party ranks. Gummatov fought on the Karabakh front for several years and commanded the Lenkoran battalion there, then for a few months he was deputy minister of defense of Azerbaijan. He soon understood that war is not the way to resolve the Karabakh conflict and that thanks to Russian peacemaking forces it is possible to end the war and save Azerbaijan from new occupations by the Armenian Army.

The military-political crisis in Azerbaijan deepened in May-June of last year after the military clashes in Gyandzh. When political anarchy began to threaten the Talysh region as well, Gummatov and his comrades-in-arms decided to save their region and at the same time take advantage of an appropriate moment to form an autonomous entity. As said in the statement of the command of the military unit in Lenkoran on 21 June 1993,

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the reason for proclaiming the TMR was to secure and preserve sociopolitical stability in this region in connection with the military and political crisis in Azerbaijan. In its statement of 22 June 1993 the PRNA took a position of understanding relative to the military opposition's decision.

On 10 July Gummatov and Geydar Aliyev met in Baku. Aliyev, promising him a high post in the republic, demanded that the TMR be disbanded. But Gummatov did not agree and continued to insist on immediate satisfaction of his own demands. In their four-hour conversation Gummatov and Aliyev did not reach an understanding. Upon returning to Lenkoran Gummatov instructed the leaders of the seven rayons included in the TMR to call sessions of their rayon soviets. At the sessions, first of all, they were supposed to ratify the new leaders submitted by Gummatov, secondly the deputies were supposed to express their attitude toward the TMR, and thirdly they were to elect delegates to participate in the above-mentioned Constituent Assembly of the People's Mejlis of the TMR.

At the invitation of Gummatov, on 2-3 August Azerbaijan Prime Minister Suret Guseynov and other ministers traveled to Lenkoran to familiarize themselves with problems in the Talysh region, and Gummatov explained the need to organize an autonomous entity to them. After the Constituent Assembly of the TMR's proclamation, Aliyev finally realized the seriousness of the events taking place in the south and once more, at the request of Guseynov, a four-hour meeting of Gummatov and Aliyev was held behind closed doors on 12 August. The conversation again produced no results. In the evening of 13 August Aliyev assembled government representatives and deputies from the Talysh region. At this meeting Aliyev told how he had been trying for more than 45 days to convince Gummatov that his actions were unconstitutional and to bring him back to compliance with republic laws.

On 16-17 August Aliyev called an extraordinary session of the Mejlis of Azerbaijan dedicated to the events in the Talysh region. The Mejlis accused Gummatov of separating off the southeastern part of Azerbaijan (although the TMR was proclaimed as part of Azerbaijan). The session adopted a decree under which "constitutional laws" were supposed to be "restored in the southern region" within three days under the direction of Prime Minister Guseynov. But they were not in any hurry to carry out this decree because Gummatov was highly respected among the population. For example, on 19 August a meeting of activists of the city was held in Gyandzh under the direction of Suret Guseynov, and Gummatov was also invited to attend. When the Mejlis decree produced no results, on 23 August Aliyev spoke on central television and called on the local population to abolish Gummatov's power. Aliyev sent the leaders of the Ministry of Internal Affairs, the Ministry of National Security, and the Ministry of Defense plus detachments of special forces to Lenkoran. At this time the people at the rally in Lenkoran entered the ispolkom building, which Gummatov had already left. When they learned that he and his close comrades-in-arms were in the headquarters of the Lenkoran military unit, they set off for there. Then, as was reported to Aliyev, with

the help of General Musayev (at that time acting Minister of Defense of Azerbaijan) Gummatov abandoned the headquarters and went into hiding in the Talysh mountains. A few months later he was arrested at his home.

Whereas last summer only a small part of the population of the Talysh region supported Gummatov, today rallies and picketing have begun in Lenkoran demanding that Gummatov, Talysh poet Ali Nasir, and all those arrested in connection with last year's events be freed, that persecution of all PRNA members and Gummatov supporters cease, and that the military mobilization in the Talysh region be suspended.

GEORGIA

Japaridze Views Relations With U.S.

944K2146A Moscow NEZAVISIMAYA GAZETA
in Russian 12 Aug 94 p 3

[Interview with Tedo Japaridze by Nodar Broladze; place and date not given: "We Are Free To Choose, But This Choice Must Be Prudent"]

[Text] Tedo Japaridze, the 47-year-old assistant head of the Georgian state for national security, has been appointed ambassador of the Republic of Georgia in the United States.

[Broladze] How would you describe the main reference points in Georgia's present foreign policy?

[Japaridze] In my view, all the independent states formed in the course of or after the disintegration of the Soviet Union have largely negotiated a similar process of the formation of foreign policy priorities. It is obvious even today that the inadequacy complex has been overcome and that the period of romantic notions and illusions has passed.

The formula is such that Georgia is extremely interested in a stable, democratic reform-oriented Russia. The West wants the same thing—to see Russia as a great state with all the attributes of democratic power. The degree of the interdependence of countries and entire regions today is such that wishing for anything else is madness. Georgia and Russia are linked by political and economic interests, cultural and historical traditions, and Orthodoxy. These and other factors—of a geopolitical nature primarily—summon us to the need for a harmonization of our relations with the rest of the world. The role of small countries, of which Georgia, which is situated at the crossroads of the Eurasian world, is one, now consists of maintaining world and regional political harmony.

This can be done primarily thanks to the pursuit of an optimal domestic policy and a strengthening of the country in the sense of economic stability and cooperation with Russia and other states in the name of preservation of the balance of mutual interests. While not being in a position to influence world processes, small countries are capable of supporting the process of security in their regions. The threat of the export of communism has passed, but the world is currently threatened by unrest, from the Caucasus and other regions particularly. It is essential to resolve this

problem of a giant scale together. There is here a coincidence of common interests in what is most important and in actions in the name of stability and security in the world.

It is for this reason that a particular place in our foreign policy is occupied by relations with Russia, and this is not simply a tribute of respect to a great power but a reflection of current realities requiring the pursuit of a realistic, intelligent policy.

As far as a most promising goal is concerned, we see as such the creation of favorable international surroundings for Russia in the post-Soviet space, the consistent formation of positive relations with neighboring countries, and active participation in the work of international and regional organizations.

[Broladze] Thus, Georgia, having achieved independence, has subordinated itself to the objective need to be together with Russia not only in the interests of the powerful neighbor but in its own interests also. What do you know about the U.S. Administration's viewpoint on this state of affairs?

[Japaridze] I shall begin by saying that, in defining their relations with the new independent states that were formerly republics of the Union, American politicians are taking account primarily of the state and nature of these countries' relations with Russia. We have been hearing all through many recent months from our Western colleagues: "For agreements with you to work, you should be closer to the new Russia, take account of its geopolitical interests, contribute to a strengthening of Russian security, and act such as to exclude factors of destabilization in this region or the other." Insisting on a suicidal confrontation with Russia, imprudent politicians are forgetting that the times of the totalitarian regime are a thing of the past. For we are not talking about the Russia such as it was 70 years ago but of the new democratic Russia. Eduard Shevardnadze said to the U.S. President this March in Washington, incidentally, when the latter had touched on relations between Russia and Georgia: "If you actively help Russia, think of it as thereby rendering Georgia, and not just Georgia, great assistance also." Clinton smiled and nodded to indicate his satisfaction.

The era of the division of the world into spheres of influence is far behind us. The era of responsibility for its fate has arrived, and each great power has its own share of this responsibility.

It would be superfluous to say what significance for processes in the post-Soviet space a stabilization of the situation in Georgia could have and how success in a peaceful settlement would be beneficially reflected in Russia's international authority. And, on the other hand, God forbid, in the event of failure—the corresponding consequences plus unpleasant international repercussions.

Taking a number of specific circumstances into account, it is Russia that is more capable than anyone else of rectifying matters in Abkhazia. The successful accomplishment—in conjunction with the United Nations—of this task, with regard to the interests of the multinational population of Abkhazia and in accordance with the rules of

international law, would be confirmation that Russia is capable in the future also of assuming a significant share of responsibility. I believe that the time will soon come when political scientists will be speaking not about states' right to undertake such matters but about the fact that they are required to do so. It should not be forgotten here that this is an onerous burden. This experiment cannot and must not be doomed, for the price of failure is too high.

[Broladze] What, for all that, are the main problems of cooperation for such small countries as Georgia with the great powers—Russia and the United States? More precisely, can we maintain that small states, wherever they are, are objectively not free to choose and pursue an independent foreign policy course?

[Japaridze] I cannot agree. We are free to choose, but this does not mean that the choice should be imprudent. It is not a question of an "older brother" as such, and it is not a question of who he is and where he lives but of what he, this brother, is like, what he offers, what he wants and how he organizes his life, and what the nature of his influence on the rest of the world is. I was told once again in Moscow recently that they did not want to hear even about the restoration of a unified state of the USSR type or of anything resembling it. It is a question primarily of the tight integration of economic interests. Not only Georgia, the world is hoping that the chosen model of democratic reforms in Russia, economic included, will be increasingly attractive.

We would like Georgia—a small state, but one with considerable potential—never to become a bone of contention or pretext for political discord and disagreements. And we are doing everything for this. Aside from the assignments that I will perform as ambassador, one of my goals is to contribute in this post to a strengthening of Georgian-Russian relations.

In this way, according to the logic that we have adopted, we will be working for a prospect of the development of Georgian-American relations also. Relations with the United States are important not only from the conceptual viewpoint. They are moving into a phase of specific political and economic decisions. We see as a priority direction an intensification of economic cooperation, the basis of which currently is the assistance that we are being rendered, until recently humanitarian, in the main, without specific decisions on investments. But an interest in more in-depth forms of cooperation is clearly showing through now, and the embassy intends to contribute in every possible way to the transformation of this interest into actual business.

Ongoing Zeikidze Investigation Updated

944K2147A Moscow NEZAVISIMAYA GAZETA
in Russian 12 Aug 94 p 3

[Report by Viktor Vachnadze under the "Collision" rubric: "Warrant Issued for the Arrest of Former Chief of Tbilisi Police: All That Is Left To Do Is To Find Him"]

[Text] The Georgian procuracy completed a preliminary investigation of the criminal charges against the former chief of Tbilisi police, David Zeikidze. A warrant has been

issued for his arrest. This was reported by the Georgian press. The investigation is being conducted by the republic procuracy, which chose to refrain from comments until Zeikidze is detained and questioned. Right now it appears that the law enforcement organs are busy trying to determine the whereabouts of the former colleague.

It should be noted that the warrant for Zeikidze's arrest was issued several days after a very sensational incident. To refresh our readers' memories, on 31 March the Tbilisi police administration chief burst into the parliament building, accompanied by about 20 armed subordinates. The guards at the entrance were beaten up. On that day the deputies continued the discussion of candidates for the positions of heads of republic agencies. (They approved as minister of internal affairs the 44-year-old General Shota Kviraya, who at some time in the past had successfully conducted several large-scale operations against organized crime in different regions of the country. Rumors that Zeikidze and Kviraya were not getting along were by then public knowledge.) Having burst into the meeting hall with his policemen, Zeikidze began to express his indignation. The process of forming the Cabinet of Ministers was interrupted. The "dialog" continued in the hallway, where the city's chief policeman hurled insults at parliament members. When the head of state, with the help of bodyguards, made his way to him in this pandemonium, which held a threat of getting out of control, Zeikidze somewhat subsided, but continued his tactless verbal attacks. In the end, policemen withdrew, continuing the ruckus in the "corridors of power."

As a NEZAVISIMAYA GAZETA correspondent was told by a member of the leadership of the law enforcement organs, the republic procuracy issued a warrant for Zeikidze's arrest practically a few days after this event and quickly sent it over to the Georgian MVD [Ministry of Internal Affairs]. However, it has not been carried out to this day, despite the fact that "in the process of investigation additional materials were discovered and collected, which provided evidence of Zeikidze's committing a number of grave crimes." Some internal affairs organs' staff were arrested who were tied to this crime directly or indirectly, but the main culprit remained loose. This despite the fact that once a warrant was issued, this should not have been difficult. According to the same source, neither were some accomplices in a number of crimes committed earlier with Zeikidze's connivance arrested. Apparently, the persons in question are Ministry of Internal Affairs officers. Right then, on 31 March, criminal charges were brought against Zeikidze under Article 187 of the Criminal Process Code—"exceeding the authority and official powers" (punishable by two to eight years in jail). Nevertheless, the former chief of police is still free. According to some information, he is either in Tbilisi or near the Georgian capital. According to others, he has long left the territory of Georgia, although, by existing legal norms, it should be impossible for a person against whom there is an outstanding arrest warrant to leave the country....

Group Seeks Revision of Peacekeeping Plan

944K2133A Moscow NEZAVISIMAYA GAZETA
in Russian 9 Aug 94 p 3

[Report by Tengiz Pachkoriya for NECA Agency: "Georgia"]

[Text] A rather authoritative popular movement "For Our Peaceful Abkhazia" had been functioning in Zugdidi for several months now; among its leaders is Napoleon Meskhia, a Sukhumi physician, former deputy of the autonomous republic's Supreme Council, and currently also a refugee. This movement supported and approved the Moscow agreements on the peaceful settlement of the Abkhazian conflict and safe return of refugees, which were signed in April and May of this year. Lately, however, notes of pessimism began to sound in what this movement's leaders say.

On Saturday, the governing board of "For Our Peaceful Abkhazia" met in Zugdidi. The meeting participants adopted an appeal to the Georgian leadership. They maintain that the peacekeeping forces do not justify the trust placed in them by the Georgian authorities and people and do not fulfill their mission. In particular, says the appeal, the peacekeeping forces do not control the situation in Galskiy Rayon and do not ensure the safe return of refugees. The authors of this document insist on revising the May agreements signed in Moscow and on including representatives from among refugees and Georgian deputies from the Supreme Council of the Abkhazian Autonomous Republic in the Georgian delegation participating in the negotiating process.

Meanwhile, the Georgian mass media published a statement of Zurab Erkvania, chairman of the Abkhazian Autonomous Republic's Council of Ministers (this is the Georgian administration of Abkhazia which 10 months ago was forced to leave the zone of conflict and seek temporary refuge in Tbilisi, and lately established headquarters in Zugdidi). The statement says that "facts of violation of human rights, murder, robbery, and terror against local population, which is being forced to leave native parts" are taking place all over Abkhazia, even in Galskiy Rayon. Erkvania notes that the beginning of the second phase of peacekeeping operations and return of refugees is the last hope for refugees. Further delay in the peacekeeping process and the return of refugees may detonate a tragedy with unpredictable consequences, derail the peacekeeping process, and cause a flare-up of a new conflict.

An emergency conference of the Abkhazian Liberation Union organization was also held in Tbilisi. This organization and its leader, Georgian parliament deputy Boris Kakubava, are famous for their categorical statements with respect to resolution of the Georgian-Abkhazian conflict. Kakubava and other speakers accused Eduard Shevardnadze of conducting a policy of "capitulation" on the Abkhazian issue. "Each day Shevardnadze remains in power separates us, refugees, from our return to Abkhazia," said Kakubava. The question of Shevardnadze's resignation was raised again. Among the speakers at the conference were parliament deputies, as well as former Georgian Prime Minister Tengiz Sigua, who said that the mistakes made by Shevardnadze look like actions planned in advance.

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ESTONIA

Political Leaders, Officials React to Moscow Agreement

944F1213A Moscow NEZAVISIMAYA GAZETA
in Russian 5 Aug 94 p 3

[Article by Ilya Nikiforov: "The Agreement on Military Retirees Awaits Ratification in the State Assembly; the Opposition Is Categorically Opposed"]

[Text] "Each side has its own understanding of the agreement signed in Moscow," the Estonian newspaper LIVONSKAYA KHRONIKA comments on the meeting last Tuesday in Moscow between Boris Yeltsin and Lennart Meri. Whereas the arrangement concerning the complete withdrawal of Russian troops from Estonia by 31 August 1994 and also the pact on the dismantling and withdrawal of training nuclear reactors from the former naval base of the Russian Federation at Paldiski signed on Saturday in Moscow in Smolenskaya Square by Raul Myalk, vice chancellor of the Ministry of Foreign Affairs of Estonia, and Vasilii Svirin, leader of the Russian delegation at the Russian-Estonian negotiations, are giving rise to no misgivings or particularly furious arguments, the agreement on social safeguards for military retirees of the Russian Federation living in Estonia has already become a stumbling block in Estonian domestic politics.

The most optimistic view of the fate of the agreement that has been signed is taken by Estonian President Lennart Meri, who appended his signature to it. In his opinion, the consequences of WWII will finally be eliminated on 31 August in Latvia, Estonia, and Germany thanks to the pact that has been signed. Speaking of the problem of military retirees, Lennart Meri, wishing to appease the opponents of the pact that has been signed, said this: According to the agreement, only Estonia has the right to conclusively decide and issue or not issue this former officer or the other a residence permit. Their pensions, on the other hand, will be paid by Russia. All this, in Lennart Meri's opinion, means that the authorities have all the necessary information on the military retirees in the country, and the rumors concerning a so-called fifth column are severely exaggerated. The president cited data at his disposal on the contingent of military retirees of the Russian Federation in Estonia. According to the information that Meri obtained from the ambassador of Russia, 10,689 pensioners of the Ministry of Defense of the Russian Federation live in Estonia. Of these, 5,000 are 65 years old and older. And 2,560 are either Estonian citizens or already legitimately have a permanent residence permit.

As distinct from the president (who, according to the constitution, does not have particularly broad powers, incidentally), the Estonian Government has been forced to occupy in relation to the signed agreements quite a dual position. On the one hand, strained relations have taken shape between Prime Minister Mart Laar and President Lennart Meri. But, on the other, the government and, particularly, the Ministry of Foreign Affairs made sufficient efforts to ensure that Lennart Meri's visit to Moscow was a success. According to the constitution, the Estonian President is not entitled to independently determine the

foreign policy of the state, this being the prerogative of the government. The latter had to forgo its rights and pride primarily because it is politically to the advantage of Mart Laar to see off the Russian troops while he occupies the chair of prime minister. Nonetheless, the enterprise of Lennart Meri, whatever the considerations prompting it, afforded Mart Laar an opportunity to distance himself from the pacts that were signed, shifting all responsibility onto the president.

Immediately following the signing of the agreement, Mart Laar issued a statement in which, following affirmation of the fact of the signing of the pacts and a brief summation of their content, the prime minister directed that the documents be sent for expert evaluation to the Ministry of Justice for a check on their conformity to Estonian legislation. "In the event of an affirmative finding, the agreements that have been concluded may be ratified by the State Assembly, which, according to the constitution, has the supreme right of final decision." Explaining his statement, Mart Laar said that this was merely a necessary expert evaluation and deemed it necessary to calm the radicals, declaring that, in his opinion, together with the Russian troops a large number of military retirees would be leaving Estonia also since the government would itself decide to whom to issue a residence permit, and to whom, not.

As distinct from the prime minister, who has adopted the position of impartial judge, the opposition in parliament is not concealing its animosity toward the pacts that have been signed. The leaders of the Coalition Party, which, according to sociologists' polls, is the most popular among the inhabitants of the republic and which has thus far laid claim to the image of a center party, have been particularly outspoken. Tiit Vahi, chairman of the party, former prime minister, and now head of the Tallinn City Assembly, is incensed that, first, the agreement does not prevent Russian officers in Estonia being demobilized in August or retiring and continuing to live in Estonia; second, the Paldiski arrangement is too reminiscent of the Skrunda arrangement in Latvia; third, according to Article 8 of the agreement, the former servicemen will obtain greater rights to the privatization of their apartments than Estonians since their years of service in the Soviet Army will be counted as part of their work record. Tiit Vahi is unhappy that the Estonian authorities do not have documents testifying that this retiree or the other served in the KGB or the GRU and may not for this reason refuse them a residence permit. The president, Tiit Vahi believes, has exceeded his authority, and the State Assembly should not ratify the agreement signed in Moscow.

Another influential leader of the Coalition Party, Academician Endel Lippmaa, declared that Lennart Meri and, particularly, Juri Luik, minister of foreign affairs, acted not so much in Estonian as in Russian interests. Endel Lippmaa would have us believe that the Estonian and Russian Presidents signed in the Kremlin a secret protocol on the rights of the Russian-speaking population in Estonia also. The Coalition Party's impatience is explained by the fact that the latter is, not unsuccessfully, struggling with the Fatherland ruling party for control of the cabinet

and is prepared to move from opposition into government offices, employing for the achievement of its aims populist rhetoric also.

The extreme radicals, who through Ants Erm, leader of the National Progress Party, are criticizing the agreement "for the disregard for national interests and values and for betrayal of the idea of a national state," have aligned themselves with the Coalition Party also. Ants Erm also hopes that the State Assembly will not ratify the pacts that have been signed.

The fate of the agreement on social safeguards for the military retirees is nebulous enough. The ruling coalition

will most likely support it in the State Assembly. But its ranks were in the course of the spring government crisis thinned appreciably on account of the more radical deputies and those that have a personal dislike for Prime Minister Mart Laar. The Coalition Party, on the other hand, is slowly, but surely, gaining in authority, and its supporters will together with the nationalists unfailingly vote against. So everything will depend on the most moderate Center Party, which is faced with the choice of either supporting a government that it dislikes, but a digestible treaty, or abstaining in order, in anticipation of future elections, not once more to acquire the label of enemy of the Estonian people.

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